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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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CONTENTS

 [III - EE - 64]

ANSWERS TO QUESTIONS ON APPLICATION OF NEW ECONOMIC MECHANISM

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 7 and 21 Apr 82

[7 Apr 82 p 3]

[Text] 70. Question: The now revoked Reserve Fund stipulated the application of funds for socialist competition among units within the economic organization. Will this stipulation be retained with the new Economic Risk Fund?

Answer: The new Economic Risk Fund assumed some of the functions of the revoked Reserve Fund. However, it is substantially different from it both in terms of its formation and basic purpose. As we know, the former Reserve Fund consisted of withholdings from the consumption income. The Economic Risk Fund comes from the balance sheet profit based on a two percent norm as approved by the Council of Ministers. According to Article 171 of the Regulation on the Economic Mechanism, the assets of the Economic Risk Fund may be used for the following purposes:

1. Meeting expenditures related to the organization of production and other activities involving higher production risks.

2. Covering shortages or overexpenditures from the Wage Fund.

3. Payment of fines, damages and losses caused by the nonfulfillment of contractual obligations, should the payment account of the economic organization lack the necessary funds.

Consequently, the regulation does not call for assets from the Economic Risk Fund to be used for the socialist competition. According to the regulation, assets from the socialist competition will come from the SBKM [Social and Cultural Measures] Fund. The assets of the Stimulation of Technical Progress Fund may be used as an additional source for rewarding workers and employees, sharing and applying leading experience, improving the socialist organization of labor, applying measures for the conservation of materials and labor, etc.

71. Question: Are economic organizations--producers and consumers--or their branches allowed to terminate concluded contracts with a given marketing and procurement organization and choose another intermediary enterprise on their own initiative or if so ordered?

Answer: One of the basic features of the Regulation on the Economic Mechanism is the fact that relations among supply and marketing economic organizations are essentially based on direct contractual relations between producers and consumers. The economic organizations may use the services of a marketing-procurement organization if they deem such services economically expedient and profitable.

The right to choose the form of supply and marketing fully applies to the enterprises of economic organizations--producers and consumers. The other units of economic organizations may choose their intermediaries and sign contracts with them if so allowed by their economic organization.

The procurement contract signed with the chosen marketing-procurement organization or its branch may be amended or terminated in accordance with established procedures whenever changes are made in the control figures and the state planned assignments of the economic organizations and the mandatory planned assignments of the subunits. In all other cases, including the wish of the producer or consumer to ensure procurements or the marketing of his output with the help of another intermediary, the existing contract may be amended or terminated by mutual agreement. In the case of a unilateral amendment or termination of the contract, the delinquent party must be held liable for the implementation of the contract, pay the required fines and compensate for damages and unearned income.

72. Question: What will be the source of the Wage Fund for construction carried out by the organization itself and financed out of the SBKM and the RTU [Expansion and Technical Improvements] funds? Should this be carried out within the framework of the maximally possible Wage Fund, as per line 10 of reference No 1, would the collective engaged in the main industrial activity be harmed?

Answer: According to the Regulation on the Economic Mechanism, the maximally possible amount of the Wage Fund will be established for the entire personnel of the economic organization or the enterprise. Consequently, the payment of wages from the SBKM and RTU funds for the personnel engaged in construction carried out by the enterprise itself or in other projects will be within the framework of the maximally possible Wage Fund as per line 10 of reference No 1 of the regulation governing the formation and distribution of the income of economic organizations and enterprises. An answer to the question of whether in such a case the personnel engaged in the main activities would be harmed can be given only on the basis of a specific computation. The size of the maximally possible Wage Fund does not depend on the size of the personnel but on the growth of the general income compared with the previous year. That is why, in the course of the adoption of the counterplan, it must be determined whether it is more advantageous to carry out a construction project by the organization itself or by contracting it. In other words, the economic organization itself must determine how to use its available personnel with a view to achieving the highest possible increase in the general income.

73. Question: Will management cadres be penalized for nonfulfillment of state planned assignments for marketing basic commodities in physical terms?

Answer: The new Regulation on the Economic Mechanism does not call for the superior organ or the bank to impose penalties for nonfulfillment of the state planned assignment for marketing basic commodities in physical terms. However, if this nonfulfillment has resulted in the violation of contractual obligations assumed by the enterprise or the economic organization, leading to the payment of fines and damages and compensating for unearned income by the other parties to the contract, the funds which will be paid out will be considered as damage caused to the enterprise (economic organization), i.e., they will reduce the enterprise's income and profit. The officials specifically guilty of this must be charged and the extent of the liability of the manager must be determined by the economic council and the superior authority. One of two methods may be applied in determining the amount of penalties to be paid by the guilty officials in such cases:

Direct, by subtracting from the individual wage part of the amount of the damage personally caused by the official to the enterprise or economic organization;

Indirect, by lowering the base (the coefficient of labor participation) in computing the individual wage.

The lowering of individual wages in such cases must not exceed the limits stipulated in the Labor Code and the regulations governing its application.

This procedure for penalizing guilty officials shall apply also in cases of nonfulfillment of contractual obligations involving other types of goods in kind for which no state planned assignments have been issued to the enterprise or economic organization.

74. Question: Article 99 paragraph 3 of the Regulation on the Economic Mechanism stipulates that the payment of normative turnover outlays and normative profits of marketing-procurement organizations consist of discounts given by organizations which have chosen the intermediary form of production-economic relations. This is not stipulated in existing procurement contracts, for they have been concluded in accordance with the stipulations of the previous economic mechanism governing marketing and procurement activities. Should such contracts be reviewed and made consistent with the new stipulations?

Answer: The economic organization itself will choose the most suitable organizational form for material and technical procurements or commodity marketing. This will stimulate the development of direct relations between producers and consumers. In many cases, however, the economic organization may find it economically more profitable to organize the marketing of its output through outside marketing-procurement organizations. In such cases, it must pay for the services provided by such organizations by granting them price discounts.

Following the application of the new method for the payment of intermediary services provided by marketing-procurement organizations, relations among producers, consumers and intermediary organizations will be organized entirely on an economic basis. According to Article 279, paragraph 2, of the Regulation on the Economic Mechanism, the reorganization of markups for material and technical

procurements will take place on a planned basis. Until such reorganization has been completed, the current markups will apply, on the basis of a mutual agreement in accordance with the extent of participation in the marketing-procurement process. The concluded contracts must not be amended unless this is done by mutual agreement between the contracting parties.

The total application of the new method of settling accounts with marketing-procurement organizations must begin with delivery contracts signed for 1983 and subsequent years. Contracts signed before 1 January 1982 should be reviewed by producers, consumers and marketing-procurement organizations and made consistent with the stipulations of Article 99, paragraph 3, of the regulation. The economic consequences of this action must be reflected by the economic organizations in the formulation of their draft planned assignments and counterplans.

75. Question: Many ministries, economic organizations and enterprises have questions regarding the procedure for determining individual wages of managers and highly capable and skilled specialists as per Article 199, paragraph 2, of the Regulation on the Economic Mechanism.

Answer: The following procedure must be observed in the individual determination of wages of managers and specialists as per Article 199, paragraph 2, of the Regulation on the Economic Mechanism:

1. In the case of employees of branches of economic organizations, the proposal must be made by the head of the branch with the approval of the trade union committee and the economic council of the branch.

2. The proposal regarding the manager of the branch must be formulated by the head of the economic organization, in coordination with the trade union committee and the branch's economic council and approved by the economic council of the economic organization.

3. In the case of employees working in the administration of the economic organization, the proposal must be submitted by the organization's manager, with the agreement of the organization's trade union committee and must be approved by the economic council of the economic organization.

4. In the case of the manager of the economic organization, the proposal must be submitted by the minister (department head) or the chairman of the executive committee of the okrug people's council, with the agreement of the Central Committee of the corresponding sectorial trade union and the economic council of the economic organization. It must be approved by the collegium of the ministry (department) or the executive committee of the okrug people's council.

5. In the case of personnel of the ministry (department), the proposal must be submitted by the minister (department head) with the agreement of the ministry (department) trade union committee and approved by the collegium of the ministry (department).

In the case of these agreements between suggesting and approving authorities, the decision of the collective management organ will be final in determining individual wages of managers and specialists.

Individual salaries of managers and employees can be revoked on the basis of the procedure through which they were set.

76. Question: Are withholdings for the Social and Cultural Measures Fund reduced if the counterplan is fulfilled with a lesser personnel than planned? Will there be an incentive norm for enterprises working with less personnel than planned?

Answer: Withholdings for the Social and Cultural Measures Fund will not be reduced should the counterplan be fulfilled with less personnel. The following must be taken into consideration regarding SBKM funds:

1. According to the Regulation on the Economic Mechanism, the planned number of personnel will be used only in computing the minimal amount of withholdings for the Social and Cultural Measures Fund. This is accomplished by multiplying the number of personnel times the maximum amount of outlays for the SBKM per individual, as approved by the Ministry of Finance and the Central Council of Bulgarian Trade Unions.

2. The actual amount of withholdings will be related to the balance sheet profit with the help of a norm defined in the formulation of the counterplan. This means that if the profit plan is overfulfilled more funds will be withheld regardless of the size of the personnel.

3. The maximal amount of withholdings for the SBKM fund will be limited by the percentage growth of actual withholdings per individual compared with the previous year and may not exceed the corresponding increase in the established average gross wage.

This shows that the Regulation on the Economic Mechanism creates incentives for lowering the size of the personnel in accordance with the counterplan and the report on the previous year. In all cases, should the profit remain the same or be higher than last year's while the size of the personnel is reduced, SBKM funds per individual will be increased.

[21 Apr 82 p 10]

[Text] 77. Question: Is it allowed, on the basis of Article 332, point 1, section 4, of the Regulation on the Economic Mechanism, for industrial enterprises to help obshtina people's councils with assets from the SBKM fund, including fees to medical specialists with a view to taking specialized medical aid closer to the rural population?

Answer: Article 332 of the Regulation on the Economic Mechanism gives the right to obshtina people's councils to apply a variety of methods for voluntary association with economic and other socialist organizations for the purpose of engaging in joint activities in the areas of consumer, communal, trade and health population services and housing, public work and cultural construction.

Furthermore, Article 331 calls upon economic and other socialist organizations engaged in activities or using manpower within the respective conurbation

system to participate in the comprehensive development of the territory and the development and preservation of the living environment, and the fuller satisfaction of the population's material and spiritual needs. This participation must be organized on a voluntary basis or through mandatory withholding of funds on the basis of the law approved by the Council of Ministers. Voluntary participation is organized on the basis of a contract concluded between the enterprise and the executive committee of the obshtina people's council.

In other words, the Regulation on the Economic Mechanism offers extensive opportunities and a variety of forms of participation by socialist organization in measures aimed at improving population services on the territory where they conduct their activities. As we know, the SBKM fund is the source of financing social measures carried out by economic organizations and enterprises. Consequently, in accordance with Articles 331 and 332, point 1, enterprises may determine, together with the executive committee of the obshtina people's council their participation with SBKM assets in paying for the work of medical specialists with a view to bringing closer to and improving specialized medical aid in the individual settlements.

78. Question: How is the Wage Fund established for the personnel of the administration of economic organizations and enterprises which do not have a state planned assignment for overall profits?

Answer: In the case of economic organizations and branches which do not have a state planned assignment on overall profit, for which reason the stipulations of Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism do not apply, wage funds for the administrative personnel are based on the counterplan and the report, determined by the actual share of the wage fund for such personnel listed in the 1981 report on the wage fund of the economic organization or branch as a whole.

79. Question: What is the procedure when during some periods of the year the economic organization does fulfill its state assignment regarding the overall profit but the wage fund for the administrative personnel, in accordance with the overall profit norm, is less than the amount needed for meeting the payroll and additional payments based on the Labor Code and other laws?

Answer: During some parts of the year, when the economic organization does fulfill its state assignment for overall profits but the wage funds for the administrative personnel, based on the overall profit, are insufficient to meet the payroll and additional payments based on the Labor Code and the other laws, funds may be borrowed as follows:

a. For economic organizations without enterprises--from the wage reserve share of the result-residual wage fund;

b. For economic organizations with enterprises, from the Economic Risk Fund.

80. Question: Article 228, paragraph 4, of the Regulation on the Economic Mechanism stipulates that by decision of the brigade general assembly, the

Brigade Leader Fund may be set up from the wage fund earned by the brigade. Should a brigade decide to set up such a fund, where should the assets be deposited and how should they be spent?

Answer: Both the creation of the Brigade Leader Fund and the use of the thus collected assets are based on a decision passed by the brigade's general assembly. Article 228, paragraph 4, of the Regulation on the Economic Mechanism stipulates that the fund's assets must be used as an incentive for the implementation of important assignments, surmounting current difficulties and other purposes as defined by the brigade's general assembly. Consequently, the fund's assets may be spent freely with no restriction whatsoever. However, in order not to create prerequisites for misuse in the collection and utilization of such funds, the following rules must be observed:

1. The assets of the Brigade Leader Fund of each brigade must be kept as a special part of the branch's wage fund.

2. The use of such assets is allowed with the permission of the brigade leader. All expenditures must be approved by the brigade's general assembly.

81. Question: Could the maximally possible wage fund as per Article 182, paragraph 3, of the Regulation on the Economic Mechanism, be based on lowering the cost of direct material outlays per 100 leva commodity output?

Answer: Article 182, paragraph 3, of the Regulation on the Economic Mechanism specifically stipulates that the maximally possible wage fund is established separately for lowering production costs only when the overall income has increased compared with the preceding year as a result of lowered production costs based on savings on direct material expenditures per unit of output. Paragraph 4 of the same article stipulates that lowering production costs as a result of savings on direct material outlays per unit of output is based on the actual achievements during the preceding year, as computed on the basis of bookkeeping data. Consequently, the Regulation on the Economic Mechanism excludes the possibility of establishing the maximally possible wage fund on the basis of lowering production costs of direct material outlays per 100 leva commodity output. If it is impossible for some enterprises to determine the lowering of production costs based on savings on direct material outlays per unit of output compared with the preceding year, the maximally possible wage fund is determined only in accordance of the increased general income compared with the preceding year as per Article 182, paragraph 1, of the Regulation on the Economic Mechanism.

82. Question: Article 195 of the Regulation on the Economic Mechanism stipulates that the specific organization of the wage system in economic organizations be based on directives (internal regulations of the branches) approved by the respective collective management organ. To which organs should such legal documents be submitted?

Answer: The economic organizations and their branches must submit their directives or internal regulations governing the organization of the wage system to

the superior organ and the respective bank branch. The superior organs and bank branches have no right to approve them. They must review them with a view to ensuring their consistency with existing laws.

83. Question: RABOTNICHESKO DELO has reported that the Council of Ministers had passed amendments and supplements to the directive on contracts among socialist organizations. What are the essential new features contained in these amendments and supplements?

Answer: On the basis of the changes made in the directive on contracts among socialist organizations, its stipulations have been made consistent with the Regulation on the Economic Mechanism.

The most essential changes are the following:

Changes are made in the procedure for resolving precontractual disputes regarding the subject and deadlines of contracts to be concluded. It is stipulated that all precontract arguments must be resolved by the state arbitration authority, with the exception of cases involving subunits within the same economic organization. Some guarantees are also provided to ensure the correct resolution of such disputes.

The previous procedure did not provide the opportunity to resolve disputes within a short time and for the organizations to secure contractually their counterplans. Arguments regarding the item (quantity, quality, variety, comprehensiveness, packaging) and deadlines, in the case of contracts stipulating reciprocal agreements, are settled as follows: between the branches of the same economic organization, as we said, by the manager or by his authority; between branches of different economic organizations, between a branch and another economic organization or between economic organizations within the same sector, by the state departmental arbitration authority of the sectorial ministry, with the mandatory participation of ministry specialists assigned by the minister. Disputes between socialist organizations belonging to different sectors must be resolved by the okrug state arbitration or the Sofia City arbitration authorities.

It is strictly stipulated that sectorial ministries must actively participate in settling disputes regarding the contractual item and deadlines. They must submit to the arbitration authority their viewpoint in writing, on the basis of which the arbitration authority will make its decision. Officials charged with failure to carry out this obligation will be penalized in accordance with the Law on State Arbitration. Should the dispute pertain to uninsured raw materials, materials, electric power, etc., or the lack of capacity and should the sectorial ministry of the supplier fail to submit its viewpoint, the dispute will be settled in favor of the purchaser.

The supplement to the directive settles the question of the material liability based on contracts for the delivery of goods for export and import, including commission charges. The amount will be consistent with the principle of assuming total property liability.

The full amount of fines, damages and compensation for unearned income shall be owed for nonfulfillment of internal contracts, regardless of the amount of liability based on the external contract. In the case that by virtue of a governmental agreement, liability based on a contract with a foreign partner is lesser than the amount of liability based on the internal contract, in accordance with the laws of the country, the foreign trade organization will cover the difference between the funds paid out and the total amount of the liability out of its Economic Risk Fund and the funds of the respective sectorial ministry. In the case of a shortage of such funds, the difference may be covered partially or entirely by the state budget in accordance with procedures and conditions stipulated by the minister of finance and the minister of foreign trade.

A similar procedure is followed in the case of liability proceeding from contracts for international freight transportation.

The amendments and supplements make some other features consistent with the principles of the economic mechanism. Specific norms are set regarding the confiscation of foreign exchange from the producing economic organization which fails to deliver on time stipulated quantities of goods; incentives are provided for the actual implementation of obligations, although with some delays, within the framework of the following quarter of the planned year, etc.

84. Question: Are leading cadres and specialists in shops, brigades and other units part of the administrative personnel of the enterprise in the sense of Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism, and if not, how should the amount of their wages be determined?

Answer: Management cadres and specialists in shops, brigades and other units operating on the basis of internal cost effectiveness, are not part of the administrative personnel of the enterprise (branch) whose wage fund is established in accordance with Article 190, paragraph 2, point 2, of the Regulation on the Economic Mechanism. Their individual salaries are determined on the basis of the internal regulations on the organization of the wage system within the framework of the wage fund of the respective unit. Consequently, the administrative personnel of the enterprise includes only management cadres and specialists in units not operating on the basis of separate internal cost accounting. (To be followed.)

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FUTURE ROLE OF NATIONAL COMMITTEES UNDERLINED

Prague HOSPODARSKE NOVINY in Czech 23 April 82 p 1, 7

[Article by Ladislav Adamec, vice premier of the CSR government: "The National Committees after the 6th Plenary Session of the CPCZ Central Committee; Support for More Creative Approaches"]

[Text] At its recently held 6th plenary session, the CPCZ Central Committee dealt with the tasks of national committees. Its deliberations covered further strengthening the importance and extending the authority of these bodies, preparing the conditions for making them more responsible for meeting the goals of socialist construction. With special attention they worked on problems the settlement of which can relieve poeple's concerns about meeting legitimate demands.

Consistent with the policy of the 16th congress, they also reviewed thoroughly the level which the national committees had attained, appraised the unselfish efforts of the deputies, officials and hundreds of thousands of our citizens and prescribed key directions for further development in this area. Together with emphasis on the influence that individual aspects of manifold activity have on the commitment of the populace, attention was focused on a critical analysis of the causes of deficiencies and those sectors where representative bodies in localities, districts and krajs are not, so far, fulfilling the duties entrusted to them.

The conclusions adopted by the Central Committee apply not only to the dissemination of good experiences but also to consistency in overcoming difficulties and point to more systematic pursuit of efficiency in work performance and to more exacting orientation of economic, political and social activity. Moreover, we consider it essential to adhere uncompromisingly to the principle that we can fully meet our prescribed tasks only when, under the leadership of party organizations, the unique political position of the national committees continues to be reinforced and the application of their economic, organizational, authoritative and educational functions is systematically supported. Decisions are being made on how they will effectively meet their new obligations now, at a time when they will be familiarizing themselves with the substance of the material formulated by the CPCZ Central Committee plenum, mastering it and adapting it to their own conditions. The main concern is that the objectives be creatively and fully comprehended and carefully put into action.

Hostage to the past are those programs which consider only the scope of actions and their variety as the measure of correct procedure, losing sight of or underestimating the appropriateness of the courses adopted. They also forget the fact that noe even under city and community conditions can one overlook the principles of conservation, similar to the rules of economic thinking and acting as they are projected throughout the national economy.

The requirement to support and develop more creative approaches takes on a more important character when we realize more fully that the national committees not only manage or administer their own organizations but at the same time play a notable part in the management and regulation of every activity (planning, financing, investment, care for the environment, transportation, trade, services, collection of secondary raw materials, fuel and energy conservation, etc).

Naturally it is not a question of simply underscoring the importance of the authority of national committees and indicating the range of decisions made by them. The possibilities for increasing the efficiency of efforts expended in most sectors are given expression here.

At the same time it would be short-sighted to simplify the problems of conservation by merely limiting our objectives. Past experiences attest to the fact that confusing haste with determination, mistaking vacillation for rational deliberation can be expected to eventually blunt the initiative of the people and lead to formalism and indifference. This can be exemplified by the directions taken in voluntary work for the public good in the near future. We will certainly not be able to permit ourselves the building of costly facilities or initiating actions which cannot be proved to be absolutely necessary. This does not mean that all of a sudden any opportunities for expanding campaigns of pledging and competitions should be lost or that offers of specific assistance by individuals or collectives should be ignored.

Analysis shows that it is precisely at this time that we should concentrate on those problems for which we did not have time or manpower earlier, using simple and inexpensive methods. By this we refer mainly to matters of cleanliness, maintaining and expanding green areas, the appearance of streets and squares, in short, improving the environment. Another current issue is more systematic use of facilities already built, such as those used for social-cultural, physical fitness, educational and similar activities. There are also always tasks relating to training and organization, the formation of persons who promote socialism in their thinking and acting, intensifying participation of workers in management and administration, improving the negotiating ability of various bodies as well as evaluating the effectiveness of deputies.

Of special importance in the process thus established is the whole problem of how official and administrative state bodies should participate in meeting the goals set forth in the economic and social program of the 16th CPCZ Congress, questions of improving services and finding a

meaningful solution to the problems of education, culture, health and social security. Developments in the immediate future are also associated with raising the efficiency of operations in cities and central communities, with a thoroughgoing appraisal of the authority of elected officials as well as the deputies themselves and fruitful relations with aktivs.

In accordance with the resolutions of the 6th plenary session it will be necessary to project local initiative into these areas and fix the focus of responsibility of representatives' collectives and citizens' committees. We consider it imperative to associate this effort with the notable contributions of National Front components. We are well aware that they are one of the pillars of our political system through which the citizens promote their interests, take part in meeting the goals of social development and find opportunities to indulge personal predilections for their own self-fulfillment. Experience shows that without the endeavors of organizations of the National Front we could not image either the origin of past performance or the fulfillment of future plans.

An integral part of the formation of immediate plans as well as future prospects is also rightly perceived in the differentiated cooperation with the whole productive and nonproductive sphere, especially with industrial and agricultural enterprises in a given territorial unit. There are many examples. In general, they indicate that, for the most part, there is a matter-of-fact, unpretentious understanding among business leaders, trade union organizations, councils and assemblies of the actual perception of mutual needs to intensify cooperation in pursuing creatively the interests of all of society. Even here it will be important that clear initiatives not only be popularized but also incorporated into the broader context of efforts to discover and mobilize reserves that are still not fully utilized in order to more rapidly implement the concepts adopted.

In this regard the 6th plenary session of the CPCZ Central Committee advocated an ever closer linking of the everyday activities of representative committees with the implementation of key objectives contained in party policies. That is why the efforts expended by them to substantially raise the effectiveness of actions to carry out the comprehensive economic and social development of area jurisdictions are so urgent. If they want to pass the test of political and professional maturity and their own skill and ability, they must first of all proceed more rapidly on the road to overall improvement in labor efficiency.

Certainly the materiality of goals pursued is very important. But that does not mean that in the process we should avoid mutual integration and lose sight of the sense of unification. The implementation of prescribed plans must, above all, contribute--even though perhaps in the long-range perspective--toward deliberately increasing the well-being of the people and concentrating on meeting their legitimate needs. This principle was agian underscored at the 6th plenary session of the CPCZ Central Committee. There is no doubt that to fully apply it we must, on the ond hand, evaluate more specifically all available

findings and the lessons learned from them and, on the other hand, give full support to efforts to find more efficient means of operation. We find important assistance in the full preparedness of deputies and officials, their insights into what is possible, their patiently built confidence in courses adopted and in their willingness to work together in carrying them out.

So that a given approach should not be perceived as action by decree, it is always necessary to set the proper conditions. This consists primarily of systematically preparing the citizens with appropriate promotional and propaganda actions, eliminating sybjective and objective obstacles to the momentum of creative initiatives. Furthermore, this is demonstrated by information from places where people are given reliable background information for carrying out tasks at worksites, where they consistently explain things and, in particular, follow up on suggestions, react responsibly to key initiatives and also appreciate the good ideas and involvement of the populace.

There are still, however, frequent cases of disparaging attitudes toward criticism. Irregularities exist with dilatory efforts toward correction, some officials still have a superior attitude toward citizens and nothing is said against individuals responsible for years of abuse. They look for reasons why this or that does not work. There is far less interest in figuring out solutions for legitimately criticized situations or matters. Truthful examples are--among others--conditions attached to services, transportation, supplies, dealing with workers of national committees, etc.

It is especially necessary to bring out that a politically prudent attitude to urgent needs of the populace must be imbued with specific results in activity on the economic front and efforts to improve management. It must be founded on real programs which are fruitful in every season, lead to the elimination of problems and produce a creative atmosphere.

In attaining the objectives set forth by the Central Committee sometimes it will be necessary in localities, districts or even krajs to be more critical of the correctness of earlier objectives and compare them with current possibilities, to consider whether they contribute effectively enough toward the execution of policies of the 16th CPCZ Congress.

Naturally, the essence of the actual activity does not lie in the extent of newly set goals but in resolute and patient improvement of the status quo, in emphasis on quality and well-thought out approaches to individual tasks. It is not the verbal reports but only the actual deeds that will determine success.

e cannot allow the pursuit of basic directions of development to be perceived as a campaign with a time limit requiring only action readiness and immediate correction of the most obvious deficiencies. Let us keep in mind that the conclusions of the CPCZ Central Committee plenary session are directed specifically to the present as well as future time and lead to honorable fulfillment of current obligations in the interests of safeguarding the concept of future advances.

The problems that the 6th plenary session took up did not concern only officials, deputies and activists of national committees but their binding nature is general, it applies to all sectors in which social consciousness, active involvement and the enthusiastic dealings of people are formed. It also urges many workers in the economic sphere to reconsider their personal attitude toward not only deputies and representative bodies but particularly to securing critical needs for the development of territorial units.

In the coming period national committees will be dealing with tasks of extreme complexity, using exceptional methods from the viewpoint of their overall development. The conviction that they will be able to cope with them is based on the responsible manner with which they consistently advocate party policy. The immense support from which they draw their authority and their truly efficient cooperation with individual bodies and organizations offer assurance that the goals of the 6th plenary session of the CPCZ Central Committee will be met by the broad range of their activities.

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CSO: 2400/232

EXPERIENCES FROM FIRST YEAR SET OF MEASURES VIEWED

Prague KONTROLA in Czech No 3, 1982 pp 1-3

/Article by Eng Stanislav Sourek, Deputy CSSR Finance Minister: "Experiences From the First Year of Application of 'Set of Measures'"./

/Text/ The current year is the second year of operation of the Set of Measures for Improving the Planned Management System of the National Economy, and of the legal and methodological regulations issued on the basis of it. Experiences from its performance must be evaluated systematically as a base for a further increase in managerial efficiency in all sectors. For this reason the evaluation of the application of Set of Measures in 1981 has great significance, even though it must be acknowledged that even a year is a relatively short time for a thorough evaluation of the efficiency of the planned management system. So far, on the basis of 1981 experiences, certain findings may be noted from the application of the Set of Measures, even though it is a matter for the time being solely of isolated findings, while an overall, thorough, comprehensive analysis of 1981 from these points of view is only now beginning to be conducted.

The implementation of the Set of Measures required extensive methodological and legislative activity. About 80 methodological and legal regulations have been issued. They were issued, to be sure, with a validity beginning on 1 January 1981, but nevertheless most of them became valid at the end of 1980. Each of these regulations was then adapted to the conditions of sectors, economic production units (VHJ), and enterprises, and time was spent getting acquainted with the regulations themselves. This very important phase required, in some instances, a substantial part of the first half of last year. In particular, the introduction of new regulations at the enterprise level called attention to a lot of shortcomings, and in a number of cases was not feasible or was too time consuming. In evaluating the results of 1981, it is necessary to take account of this.

Practically speaking, it is difficult to evaluate comprehensively and unambiguously the level of operational efficiency of the Set of Measures in 1981 solely on the basis of judgments and evaluations of results achieved in the national economy. This is, certainly, an important measurement of the efficiency of all measures in national economic management, but it is impossible to pronounce definitive judgments on the basis of an annual period;

rather, one must take into account inertia and the utilization of earlier, now obsolete approaches. A number of other factors in addition to management sophistication exert an influence, in a positive and negative sense, on the management results which are achieved. Moreover, all of the requirements of the Set of Measures, in their full complexity, have not as yet been implemented in practice.

For this reason, at first glance a comparison of certain management results achieved in 1981 with the projected affects of certain principles and indicators of the Set of Measures may appear to be internally in conflict. For instance, in 1981 the costs of industrial materials evolved favorably (materials costs as a percentage of volume of outputs declined by 1.1 percent). The development of direct material consumption was not as favorable, and wage costs increased somewhat. This result is clearly influenced also by the affect of the indicator of adjusted values added, to which is tied the formation of the basic components of wages payable. In other branches, however, the costs of materials did not develop as favorably. In 1981 the return on operating assets likewise developed favorably, but capital stock utilization did not change substantially, and inventory development was very unfavorable. There is a certain conflict evident here, but this is also quite probably a matter of the first positive effects of certain elements of the Set of Measures. At the same time, however, it points to a need for additional thorough study of the influence and function of individual newly introduced instruments (for instance, return on operating assets) and to assure their increased and more comprehensive implementation, or the rounding out of the set of instruments. Experiences from 1981 indicate that, in comparison with previous periods, managerial employees are devoting their attention to qualitative indicators, and especially to those which are directly related to material incentives. In particular, adjusted values added, return on operating assets, the structure of sales, and profit stand out as the most significant.

The shift to a focusing of the development of wages payable on the basis of adjusted values added and return on operating assets took place satisfactorily and without serious problems. It will also be necessary here, however, to analyze in more detail the influence of both of these indicators, for instance the development of the structure of adjusted values added, the influence of return on operating assets, and the development of specific factors which affect it (such as capital stock utilization, inventories, profit), and the like. Contacts with economic production units (VHJ) and enterprises indicate that even during the practical implementation of wage policy, the slow introduction into wage policy of deleveling trends and the concept of merit still remains a great problem.

In the area of technical development, 1981 demonstrated that technical development has still not become the hub of planning and management. To be sure, the percentage of new products and of technically advanced products is for the most part increasing, but the actual effects of technical development, especially in foreign trade or even in the domestic market and the bottom line of the financial plan are very little in evidence. A "hunger" for technical development as the fundamental path to an increase in efficiency and quality has not yet occurred.

Likewise, in foreign trade there has not yet been a significant turnaround to an interest in an increase of efficient exports. On the other hand, it is possible to evaluate positively the fact that most managerial employees have increased their overall attention to issues of efficiency, both overall and specific. For instance, costs representing losses due to low quality production have continued to decline, and pressure is increasing for a reduction of unproductive costs, etc. However, concepts of efficiency are penetrating relatively slowly the decision making procedures in technical, production, and at times even supply sectors.

We are not being successful in utilizing more effectively counter-planning, a situation influenced to a great extent by its current orientation to annual guidelines and the plan.

On the basis of the Set of Measures, a number of new elements have been in effect since 1981 in the area of management, especially though in the financing of investments. Even though 1981 saw a further continuation in this area of well known, longstanding shortcomings such as a high degree of unfinished construction projects, a failure to meet construction deadlines and technico-economic parameters, and the exceeding of budgeted costs, particularly for major projects, right in the first year of applicability of the new measures positive changes may be noted in the area of investment projects financed from the development fund. The development fund serves as an economically active element in the entire system of the arranging for and financing of investment projects. For this investment category (construction projects of less than 2 million korunas and machinery and equipment not included in the budget of completed structures), greater consideration is evident in making investment decisions, the percentage of investments aimed at modernization increases, and VHJ and enterprises calculate more closely whether the resources to be expended from the development fund will produce greater economic advantages for them than the existing capital stock.

Certain sanctions have a new role in the area of investment projects; specific fines levied on investors for the delayed startup of imported machinery, a shift of resources from the development fund to the construction fund as a penalty for shortcomings (failure to meet planned construction schedules and the exceeding of budgeted costs) in investment projects financed from the construction fund and, in relation to contractors, a prohibition on providing payments for construction projects established as binding tasks of the state plan for which the planned completion schedule has not been adhered to. Experience indicates that these sanctions, in conjunction with the more rigorous character of the VHJ and enterprise management system, are sufficiently harsh and, for the most part, have quite an impact. The idea of the sanctions is to aid in the elimination of shortcomings and this requires, among other things, that they be applied to an effective extent on those participants in the entire investment process who were responsible for the shortcomings. This may also take the form of a complaint to recover damages. It is evident that these possibilities are as yet being used insufficiently and that quite often "more promising" paths are sought, for instance through requests for waivers, etc. This points, above all, to shortcomings in supplier-consumer relations in the area of investment projects.

Furthermore, during 1981 great shortcomings continued to be evident in inventory management. Inventory turnover significantly slowed down in comparison with the plan, and significant inventory growth in excess of the plan occurred. It appears that VHJ and enterprises have so far felt only slightly this unfavorable development in material incentives and their overall financial situation. At present the influence of bank interest, including interest penalties, must also be evaluated as insufficiently effective.

The implementation of the principles of the Set of Measures in financial management has strengthened the khozraschot character of the financial management system of VHJ and enterprises. Above all, the significance has increased for VHJ and enterprises of usable profit, on which allocations to funds, including incentive funds, are directly dependent. The share of profits in the financing of the needs of VHJ and enterprises has also increased. Therefore, not only has the interest of VHJ and enterprises in profit formation increased, but the influence has increased as well of various penalty payments such as fines, penalties, supplementary taxes, penalties for low quality production and the like, which reduce usable profits and therefore limit the possibilities open to a VHJ to finance its own needs and its allocations into material incentive funds. This influence will undoubtedly become much stronger in the future. A number of VHJ and enterprises are "feeling" these effects of the current financial management system during the annual evaluation of 1981 management results, and in their allocations of resources to material incentive funds.

The effectiveness of the financial management system must be further intensified. Experiences from 1981 indicate that it is especially necessary to improve the operation of the financial plan, which is the basis for the proper functioning of financial mechanisms. There is still great unused capacity in the active application of the financial plan, such as in the economic calculations of an enterprise or VHJ for effectiveness in the plan compilation process. Shortcomings persist in the breakdown of financial plan indicators along the management axis, and are evident in the pro forma nature of some breakdowns, a lack of specific knowledge of subordinate units, frequent plan changes, shortcomings in work with unused capacities, and the like. These represent, at the same time, great possibilities for increasing the operational efficiency of the financial plan, of financial instruments, of the material incentive system, and the like.

The development of khozraschot and an increase in the operational efficiency of its instruments on effectiveness and quality are important aspects of the implementation of the Set of Measures generally, as well as in 1981. It is possible to state that the first steps, to be sure, were taken in this regard in 1981, but that the basic tasks set by the Set of Measures have not as yet been fully mastered in practice. Above all, this is a matter of a new set of issues in VHJ khozraschot and of the assurance of a high level of effectiveness in internal enterprise khozraschot.

In this connection, it is necessary to emphasize the new quality of the position and function of the VHJ as the fundamental administrative element in the enterprise sphere, managed according to khozraschot, a position which

places great demands on the mastery of the entire set of issues involved in the khozraschot management of a VHJ as a unit and likewise of khozraschot management within the VHJ. This is a task which may, clearly, be mastered only gradually over a certain period of time, and 1981 must be understood as the beginning of this process. Under these conditions, the resolution of issues of the khozraschot management of enterprises within the VHJ framework has especially great significance. This involves a resolution of the problems related to the matrix of khozraschot relationships within the VHJ, in the context of the management systems of individual VHJ's. The elaboration of these issues in accordance with general regulations, but based on the concrete conditions of individual VHJ's, belongs among the most difficult tasks of the development and increased effectiveness of khozraschot in practice. At present, this task has still not been fully and generally mastered. It remains quite pressing, and VHJ's must complete it rapidly, because the effectiveness of VHJ and enterprise khozraschot is dependent on the smooth functioning of khozraschot relationships within the VHJ. The position of the VHJ as the basic administrative element in the enterprise sphere understandably requires as well some necessary centralization, for instance in financial management at the VHJ level, and they have been provided with the necessary jurisdictional authority. On the one hand, however, this is a matter of the extent and the efficiency of this centralization, and on the other hand a matter of the assurance of a positive function for finance and for khozraschot at individual enterprises within the structure of a VHJ.

Insofar as this concerns an increase in the effectiveness of internal enterprise khozraschot, the past year indicated that there is a very uneven situation in individual enterprises, and that the efforts of enterprises and VHJ's to master the tasks of creating the necessary preconditions for the efficiency of internal enterprise khozrachot have also been uneven. One of the main preconditions is a good normative basis, i.e., the existence of standards of all kinds; for output, for materials consumption, for energy, and the like, capacity standards, equipment utilization standards, and others. As the inspection showed, efforts to improve the normative basis are not as yet proceeding satisfactorily, and a substantive improvement in these efforts must be assured. Without quality standards, it is impossible to compile a quality operating plan, calculations, or budgets, or to evaluate their fulfillment and provide compensation according to merit. Without them, therefore, it is not even possible to utilize successfully internal enterprise khozraschot.

As mentioned above, the experiences from the application of the Set of Measures in 1981 will be evaluated thoroughly. The monitoring and evaluation of the operation of the Set of Measures will be carried out on a continuing, systematic basis by the Government Committee for Problems of Planned National Economic Management and the appropriate central organs. For instance, in the financial sector the Ministry of Finance will conduct the evaluations of the application of the new financial regulations which have been issued in selected VHJ and enterprises on the basis of the Set of Measures and through the medium of financial reports. It will certainly also be effective to make use of the experiences of control agencies. Along with

an evaluation of 1981 management results, an overall evaluation of the implementation of the Set of Measures will also be conducted. An evaluation of experiences will be carried out by detailed research on the part of the Government Committee for Problems of Planned National Economic Management at selected VHJ. The monitoring and evaluation of the implementation of the Set of Measures has great significance. It will assist in the identification of upcoming and unresolved problems and provide the impulse for their operative resolution. It also provides suggestions which may be acted upon by certain sectors and for the improvement of resolutions which have already been adopted. In these areas, work is being oriented towards an elaboration and further implementation of the Set of Measures, and towards the working out of certain as yet unsolved or insufficiently resolved problems, for practical purposes, in other words, on the further development of the Set of Measures, which represent an open starting point for the improvement of the planned management system of the national economy, which is a continuing process. On the basis of these initial experiences, for instance, beginning in 1982 additional measures will be adopted to resolve certain problems in the application of economic instruments in foreign trade and in the financing and granting of credits for working capital, experiments are being planned for the improvement of administration in the area of scientific and technical development, foreign trade, etc. The improvement of planned management and thus of financial management on the basis of the Set of Measures is a process in which 1981 was the first important phase.

Nor should sight be lost of the fact that the improvement itself of the principles of the planned management system of the national economy is only half of the route to greater administrative efficiency. The second half, then, is the systematic improvement of daily administrative and organizational work at all management levels and, within this framework, for example, also an increase in the efficiency of inspection efforts. It is with reference to a total picture defined in this way that it is necessary to develop efforts at improving planned management during this year and in future years and that the results which we achieve in this period must be thoroughly evaluated.

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INCREASED ROLE OF NATIONAL COMMITTEES DISCUSSED IN COUNCIL

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[Unsigned article: "Deliberations of the Czech and Slovak National Councils"]

[Text] Prague/Bratislava, 27 Apr (CIK)--The deliberations were attended by representatives of the party and the national governments. Deputies of the Czech National Council assessed the Czech Government report on further improvement of the work of the national committees. Deputies of the Slovak National Council evaluated the Slovak Government report on fulfillment of tasks in the construction industry. The role of the Local National Committees in key central villages is being enhanced.

The meeting was held on Tuesday in the presence of party and Czech and Slovak government representatives. The deliberations assessed the republic government's reports on the role of the national committees and performance in the construction industry, respectively. The two national councils also approved legislative proposals which amend and supplement the law on national committees and enhance the jurisdiction of the local national committees in key central villages. In consonance with the conclusions of the Sixth Plenum of the CPCZ Central Committee, these legislative acts are the first in a series of planned amendments which will gradually create legislative prerequisites for enhancing the role of the national committees and the position of the deputies.

Deliberations of the Czech National Council [CNC]

Josef, Kempny, CNC chairman and member of the CPCZ Presidium, welcomed Josef Korcak, CPCZ Presidium member and Czech premier, and other Czech Government ministers, as well as representatives of central organs, political parties, and social organizations of the National Front.

Before opening their deliberations, the participants honored the memory of the recently deceased Czech minister of forestry and water economy, Ladislav Hruzik.

This was followed by a report presented by the Czech minister of interior, Josef Jung, on further improvement in the work of the national committees and the organizations they manage.

"We followed with great interest," Minister Jung said in his opening remarks, "the deliberations of the Sixth Plenum of the Central Committee which approved important measures aimed at enhancing the role and authority of the national committees, broadening their jurisdiction, and intensifying their effect on satisfying the legitimate needs of our citizens. We know what needs to be done in the krajs and okreses, the path we must follow in strengthening the vital stature of elected organs, and what is needed to improve the system of their management.

"Last February," he continued, "the Czech Government approved a set of measures aimed at improving economic management in the national committees in terms of better structure; more consistent fulfillment of the principles of effectiveness; and, stated briefly, the overall implementation of their social responsibility. On this goal is focused a set of basic indicators of the plan and other management instruments, strengthening and accentuation of the coordinating role of regional and territorial planning, higher quality in departmental management according to the developmental concepts of the individual branches, within the framework of a uniform national policy.

"One of the most sensitive tasks requiring special attention of the national committees is to satisfy the needs of our citizens in housing. Given the complexities in housing construction, this means resolving the problem of civic and technical furnishings in the settlements and better management of the housing fund in general. We have set up enterprises of housing management which have large numbers of employees and receive hundreds of millions from the state for this purpose. Yet, in most cases, they fail to live up to their responsibility to provide what is legitimately demanded by the tenants and what is required by the interest of a socialist state in good housing conditions for its citizens.

"At a time of a slower tempo in the construction of new housing units, modernization and restructuring of housing and nonhousing funds are becoming a serious problem, on the resolution of which we must focus attention of the local construction organizations and okres construction enterprises. Their participation in large construction projects will, henceforth, be approved only in very exceptional cases.

"In national committee economic management," the minister went on, "improvement in paid services holds an important place in the effort to satisfy citizen needs. We have achieved some progress in selected areas such as, for example, in the repair of television and radio receivers, washing machines, barbering and hair-dressing services, dry cleaning, photographic processing, and others. Nevertheless, there are still shortcomings in the performance of laundries, automobile repair shops, shoe repair, clothing, underwear, furniture, and spa services. There are even some localities where services do not function at all.

"A few weeks ago, the Czech Government approved principles of more effective management and more flexible performance in paid services.

"One option in replacing administrative methods of management by economic methods is a fundamental simplification of the planning, fiscal, wage, and tax systems and a gradual but consistent application of the enterprise and intraenterprise khozraschet principle. It was decided to lower substantially the binding indicators set at the center. We place special emphasis upon shortening delivery deadlines; extending hours of operation, market services and a corresponding network of shops; establishment of emergency services; and, above all, better overall performance.

"At the same time, we must bear in mind that the primary effort in improving services under the adopted measures is the responsibility of the services enterprises and organizations, whether they are managed by the national committees or whether they are cooperatives or other types of organizations. All other forms are merely auxiliary and their joint aim must be to satisfy the people's needs.

"At the same time," Minister Jung continued, "the care and protection of the environment is one of the most important tasks of the national committees of all levels. The seriousness of this responsibility is reflected in how successful they are in improving conditions in villages and towns but also involves a reduction of the harmful consequences of production and extraction operations, cleansing the air polluted by industrial emissions, care for forest growth, and protection of streams.

"Special attention will be given to the North Bohemian Kraj, the capital city of Prague, and the Ostrava-Karvina complex where the situation is the most serious. Equal care must be given especially to the West Bohemian spa areas.

"The government also approved principles toward improvement in the work, organization, and effectiveness of the national committees in towns and cities.

"In this respect, we envisage four groups. The first will include Brno, Ostrava and Pilsen, where national committees have the standing of okres organizations. The second group will include the remaining kraj capitals and economically and socially important large towns. Among others, this means Karlsbad and Marienbad. The third group will consist of the remaining okres seats and other population centers of regional importance. The fourth group will include all the remaining towns.

"These steps will significantly strengthen the coordination functions of the municipal national committees in organizations managed by higher national committee echelons, as well as in organizations managed centrally.

"Another broad set of questions concerns the effectiveness of national committees in central villages. We want to expand their activity in state administration in the interest of ensuring more consistently economic, social, and cultural progress in satisfying the needs of citizens.

"An important place in the intensification of socialist democracy is held by an enhanced role of the elected organs. The approved set of measures will raise the effectiveness of their work, intensify their accountability to their

constituents, and facilitate their managerial, coordinating and control functions.

"Without doubt, our deputies are an important factor in the mission of the national committees. We strive to have them apply more emphatically their expanded authority, increase their impact on the elimination of shortcomings in the work of representative bodies, expand their cooperation with components of the National Front, and strengthen the respect and authority of their office.

"Management is the most important sphere in the effort to improve the performance of the national committees. The principal responsibility in this area rests with the government. We, therefore, wish to ensure more consistently, first of all, the coordinating functions of the central organs with respect to the national committees, intensify their participation in overall management, strengthen the practical significance of a quality performance in state administration and place more emphasis on the strengthening of socialist legality."

In closing, Minister Jung assured the assembly that the Czech Interior Ministry would deal responsibly with the findings of a probe conducted by CNC deputies.

Deputy CNC Chairwoman Marie Jarosova served as joint reporter for the committees dealing with the Czech Government report. "Each of us CNC deputies," she said, "has often participated in discussions with national committees of all levels. We can therefore testify that the proposed measures toward enhancing the role of elected organs in the national committees are well taken.

"During the probe," she continued, "the deputies found that an integration of communities is inevitable, since the population is being concentrated in larger localities. We must not allow, however, the creation of central villages to result in a lower standard of living or social stagnation for those being thus joined in a larger grouping. For a successful integration and creation of larger communities, it is necessary--as we found in the South Bohemian and North Moravian krajs, and in the okreses of Decin, Cheb, Benesov, Domazlice, Louny, Gottwaldov and Prerov--to create the needed legal, cadre, and material conditions sufficiently ahead of time before the integration process begins."

Marie Jarosova also dealt with the role of citizen committees, residential commissions and trustees, cooperation of the national committees with social organizations which mobilize their members toward fulfillment of the election programs of the National Front. She also discussed the methods of national committee management by higher echelons and the performance of the national committee, pointing out some of the shortcomings found in these areas.

Czech Interior Minister Josef Jung then explained the government proposal for the CNC law which amends and complements the law on national committees and adjusts their jurisdiction in the central villages.

He pointed out, among other things, that the process of integrating small communities into larger units which had begun in the early 1960s, had indeed resulted in larger territorial formations. A situation thus arose in which, beside the

national committees in the integrated units, we still had the local national committees in the smaller component communities, and all the national committees at the local level have equal position, responsibility and jurisdiction.

"The establishment of national committees in the integrated communities," the minister continued, "is a long-term process in the course of which the kraj national committees will gradually designate the principal integrated communities, as the required prerequisites materialize. In the course of this process, the local national committees in the integrated communities will eventually become the basic element in the national committee system.

"To achieve this goal, it will be necessary that the legislative adjustment of the responsibility and jurisdiction of the national committees in the key central villages be carried out without delay, even before the final version of the law on national committees becomes effective. The principal aim of the adjustment is to improve the quality of national committee operations in the key central villages through better forms of state administration and better conditions for the complexities of life in them."

The minister then noted that the proposed adjustment would affect 671 national committees of the basic level in the Czech Socialist Republic, of which 427 are municipal national committees and 244 are local national committees.

Finally, Minister Jung recommended that the Czech National Council approve the proposed legislative amendment of the law on national committees as it had been submitted to it.

Approval was also recommended by the joint committee reporter, Deputy Jiri Burian, who said, among other things, that, where integration was followed by the formation of citizens committees, some of the latter often perform better than the former national committee. Burian also reported that, in their probe, the deputies frequently encountered doubt as to whether the local national committees would be capable of handling the increased responsibilities of a central village. This doubt referred not only to the number of employees but also to their professional qualifications with respect to the new situation and the requirement to simplify state administration. Burian also informed the assembly that committees of the Slovak National Council had introduced some changes into the legislative proposal.

A general discussion then followed on the two points of the agenda. The following 17 deputies presented their contributions: Josef Mecl, Vaclav Burian, Jiri Maryska, Jiri Fleyberk, Anna Langerova, Pavel Krystnik, Frantisek Antony, Miroslav Novotny, Bretislav Varecka, Zdena Zakova, Miroslav Slouf, Marcela Vokrouhlikova, Vaclav Michalec, Vladimir Bursa, Petr Kratky, Marie Santorova and Marie Cmiralova.

In the discussion, appreciation was expressed for the work of the national committees and their deputies, but there were also many critical remarks about cumbersome and sluggish administrative operations and a bureaucratic approach to dealing with citizens. Several deputies expressed support for the need to improve national committee operations in the key central villages. Others cited

examples of simplification of administrative operations which would be conducive to expeditious handling of various citizens' requests. Yet others pointed to unutilized opportunities to improve and make more flexible the various types of paid services to the population, to the role of national committees in local and regional planning, capital investment construction and in the protection of the environment.

Based on experiences in their electoral districts, a number of deputies presented their findings in the establishment of central villages, especially in the sense of bringing the national committees closer to the people and increasing the participation of citizens in public administration, as an expression of broadening our democracy. Management in the construction industry was criticized for its complexity, which complicates the building of family houses, particularly. There was also criticism of the shortage of craftsmen, etc.

The CNC resolution on the government report on further improvement in national committee operations and in the organizations they manage charges the CNC committees to devote attention to the national committees, especially in connection with the complex development of their territories, toward better utilization of the labor force, effective capital investment construction, thrift in outlays, protection of arable land and emphasis on domestic resources.

The CNC adopted the changes in the law on national committees, and the adjustment in the jurisdiction of local national committees in the key central villages is to become effective on 1 July 1982.

In his closing remarks on these points, CNC Chairman Josef Kempny stressed the fact that the discussion confirmed approval ofthe conclusions on national committee operations which had been adopted by the highest CPCZ organs. The adopted law creates conditions for the central villages to offer a broad range of paid and public services for citizens of their territories, to become a foundation of future advancement of social and cultural life. This law is the first piece of legislation which implements the contusions of the 16th CPCZ Congress, six plenums of the Central Committee, and other CPCZ Presidium documents. The chairman concluded "our contribution rests not only in new legislation, but also in overseeing how these laws are translated into life and what their effects are."

The deputies then approved (effective date 1 July 1982) a change in the law on the organization and oversight jurisdiction of the state mining administration, in that one of the nine regional mining bureaus is moving from Tisnov near Brno to Liberec. The proposal was defended by the chairman of the Czech Bureau of Mines, Ladislav Zika, and supported by Deputy Ladislav Berenreiter.

Following reports on the application of the conclusions of the Third CNC Plenum, and on the work of the CNC presidium, the Fourth CNC Plenum adjourned.

Deliberations of the Slovak National Council [SNC]

Viliam Salgovic, SNC chairman and member of the CPS Presidium, welcomed members of the CPCZ Presidium, Josef Lenart, CPS first secretary, and Peter Colotka,

Slovak premier, and other CPS presidium and secretariat members, members of the Slovak Government, and other guests.

Following the approval of legislation which supplements the law on Slovak Government organs responsible for social security, the deputies discussed the government proposal on the SNC legislation which amends and supplements the law on national committees and adjusts the jurisdiction of local national committees in key central villages.

The proposal was explained by Slovak Interior Minister Stefan Lazar, who noted, among other things, that the amendment will enable the national committees in key central villages to establish, to a greater extent than heretofore, facilities and organizations to provide paid services for citizens, contribute to okres medium-range planning and budget operations, etc.

The SNC committee view was presented by the joint committee reporter, Deputy Vojtech Tokarik. He noted that, in order to apply the new law in practical life, the Slovak Government had adopted measures of a political and organizational nature. The kraj national committees in Slovakia have thus far designated 54 key central villages where the local national committees will have broader jurisdiction. In closing, he recommended that the government proposal be approved.

Following a discussion during which the proposal was supported by deputies Jan Pikula, Andrej Sulety, Vojtech Ligart and Ladislav Mihalik, the assembly approved the proposed law.

The deputies then dealt with the Slovak Government report on task fulfillment in the construction industry, which was presented by Slovak Construction Minister Dusan Miklanek.

"During the Sixth Five-Year Plan," the minister said, "the plan of binding tasks in construction was, by and large, fulfilled. The deadlines for putting capacities into experimental operation, as well as terms of completion, however, were not met. In contrast, 152,000 finished housing units in the course of the Sixth Five-Year Plan is the highest in the history of our housing construction. Important buildings serving health care, education, culture and commerce were opened for public use.

"Some of the tasks in construction stemming from the conclusion of the 16th CPCZ Congress, especially with respect to changes in the structure of construction capacities and the level of construction management, were not fulfilled on time, nor in the desirable volume.

"The task to reduce during the Sixth Five-Year Plan unfinished construction projects 15-18 percent was not met; on the contrary, this problem increased 22 percent. The dispersion of construction capacities intensified as a result and exacerbated conditions for a rationalized organization and management system in the construction industry.

"Accompanying phenomena of the high rate of unfinished construction were serious shortcomings in the preparation and supply of construction projects, in maximum utilization of working hours and mechanisms, in labor and technological discipline, in the quality of labor, and in the complexity of finishing construction projects and housing within the time frame projected by investors and designers.

"Plan fulfillment in 1981, even as early as the first half, showed that shortcomings continue. Despite numerous measures adopted to improve the situation, many basic volume and substantive indicators of the plan have not been met.

"Of 27 enterprises, good economic results were achieved by only 18. The cause of nonfulfillment, i.e., a loss of 285.5 million kcs, rests in VHJ Surface Construction. We consider this situation to be a consequence of the low management level in some enterprises, including the offices of the director general, and we expect improvement, starting with an analysis of the failure and finishing by the elimination of the shortcomings discovered.

"The basic task of the 1982 plan is a consistent realization of the restructuring of construction operations and reducing the number of unfinished projects, so that in the course of the Seventh Five-Year Plan we achieve an optimum cycle in the construction industry. The lower planned volume of starting construction offers a realistic prerequisite for the achievement of this goal.

"With the overall lower volume in complex housing construction, tasks to provide furnishings and outfitting have risen 10.3 percent. This year, 28,000 housing units will be completed. Our task is to achieve a turn toward smooth and even operations, notably in the completion of higher quality housing construction."

The minister then continued: "Even more demanding this year are the tasks of binding construction. Of 107 construction projects, we need to put 44 into operation, of which 24 are to be fully completed.

"Correct wage and social policies must contribute to a higher stabilization of the labor force throughout the construction industry. For 1982, the task before us is to achieve a more differentiated system of rewards for construction workers.

"This year is the first time we have introduced counterplanning in the construction industry.

"In 1982 housing construction, during the first half we want to turn over 40 percent of the annual plan of housing units for finishing operations. We will expand the rapid-flow method in order to build 80 percent of housing units and 20 percent of public construction by this method.

"The main developmental directions in the construction industry," concluded Minister Dusak Miklanek, "are, we believe, adaptation of construction capacity structures and their deployment to the needs of capital investment construction, an overall higher effectiveness to allow a more intensive application of a uniform technical policy in the construction industry."

The SNC committees view on the report was presented by the joint reporter, Deputy Vladimir Fasang. He noted that the SNC committees, with the participation of construction organizations, had conducted group probes at 9 construction sites and in 16 organs of state administration. In addition, deputies had conducted individual investigations in their electoral districts. In the state and economic organs and organizations they visited, they found that measures are being taken to improve the situation. The reporter also recommended approval by the SNC of the government report.

In a discussion, Deputy Michal Rohac reported that the construction organizations in East Slovak Kraj last year failed to complete more than 2,800 housing units; and, even in those which were completed, the quality was below the desirable level. Deputy Mirosalv Smetana stressed the desirability of advance work in design and architectural preparation to allow the construction organizations sufficient lead time to adequately adapt to the plan. Deputy Olga Psurikova noted that many construction organizations in their preparation of the plan have not dealt consistently enough with supplier-consumer relations, and Deputy Ladislav Laczko emphasized that the most common cause of failure to fulfill tasks in the construction of educational facilities is a shortage of labor, insufficient material and machinery assets, transportation problems, etc.

The first deputy premier of the Slovak Government, Julius Hanus, stressed the fact that an analysis of the condition of the construction industry showed that the main direction in meeting its tasks in the Seventh Five-Year Plan must stem from the need to eliminate quickly and resolve the problems which were found.

Contributions to the discussion were presented by deputies Jozef Trepas, Tichomir Toth, Ondrej Horniak, Stefan Hajduch, Vincent Foldes, and Jan Stencl.

In its resolution, the SNC charged its deputies and committees with responsibility of devoting their constant attention to the problems which had been discussed.

At the close of its deliberations, the SNC took note of the implementation of recommendations of its deputies presented at the Third SNC Plenum and the chairman's report on the work of the SNC presidium during the preceding period.

At the meeting on Tuesday, the SNC also announced the SNC legislation which amends and supplements the law on national committees and adjusts the jurisdiction of local national committees in key central villages.

The meeting also dealt with ensuring meat supply and other animal products during the first half of 1982, with consideration of the anticipated situation in the second half of the year.

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GROWTH OF INDIVIDUAL VEHICULAR TRAFFIC ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 15, 15 Apr 82 pp 197-203

[Article by Rainer Hopf, German Institute for Economic Research (DIW), West Berlin: "GDR: Individual Traffic Continues to Increase." A translation of the article by the same author cited in footnote 9 is published under the heading, "Greater Use of Rail for Freight Transportation Seen," in JPRS 77933, 27 Apr 81, No 2120 of this series, pp 8-20. Translated excerpts from the "Law of 3 December 1981 on the Five-Year Plan for the Development of the GDR Economy During 1981-85," cited in footnote 1, are available in JPRS 79769, 31 Dec 81, No 2216 of this series, pp 7-29. Translations of two more items cited in footnotes below are published under quoted headings in the following JPRS issues of this series: Footnote 5--East Berlin DDR-VERKEHR article by Hans-Werner Schleife, "Statistics Provided on Growth of Vehicular Traffic," 72829, 15 Feb 79, No 1855, pp 46-66; and Footnote 7, by Doris Cornelsen of DIW, "West German Institute Analyzes GDR 1981 Economic Growth," 80519, 8 Apr 82, No 2256, pp 37-49]

[Text] The decrease in economic expenditures in transportation for freight and passenger traffic is being emphasized in the GDR as a major transportation policy line. The principal goal is to conserve energy. While a broad range of actions can be implemented in freight traffic to realize these goals, for example, organizational measures, administrative decisions and decrees concerning the division of labor, or policies on fares and prices, the possibilities are far fewer in passenger traffic: More than one-half of the traffic load is accounted for by individual traffic, an area which is mostly free of state planning, even in the GDR.

No Planning for Individual Traffic

Public transportation in the GDR, as in the FRG, is increasingly tending to stagnate. Individual traffic, by contrast, exhibits high rates of growth. This is surprising, if one considers that until now railroad, crosscountry bus and local urban traffic had enjoyed unlimited priority in all short-, medium- and long-term traffic planning. Individual traffic is not even mentioned in published one-year and five-year plans. Standards for the production of automobile tires and for vehicle maintenance are given[1]; but one looks in vain, for example, for figures on the development of the automobile supply or other orientation guide lines concerning individual traffic. Under these circumstances, the question arises of how to interpret the

demand made by politicians in the GDR that the five-year plan should be made the initial standard for general traffic plans for the 1980's, which include all carriers. The exclusion of individual traffic is apparently an admission that this sector of traffic is not amenable to planning.

In addition, the foundation for an integrated transportation policy which can bring individual measures into line with an overall design is lacking in the GDR. Official statistics which include individual traffic do not exist in the GDR. The most comprehensive studies in this area in the GDR were carried out as part of the System of Representative Traffic Polls (SrV).[2] Additional individual figures in GDR publications made it possible to derive a fairly realistic total picture of passenger traffic, in spite of the generally narrow data base.

Sharp Rise in Mobility . . .

The development and structure of passenger traffic in the GDR have been influenced by the rise in the standard of living, the accompanying growth in individual vehicular traffic and increases in the numbers of working people, high-school and college students. Other factors, such as increased leisure time, partial improvments to highways, the shift of apartments to the city outskirts, processes of concentration in health,social life and education, as well as in trade and industry, have also played a part.

The consequence of these changes is that today almost twice as many trips per inhabitant are made by public transportation, automobile or motorcycle as 20 years ago. Taking into account the distances covered, the rise in mobility (passenger kilometers per inhabitant) was even greater.

A comparison of the mobility indicators for the two German states reveals features in common, in spite of many differences. In the GDR and the FRG, the development of passenger traffic has been decisively shaped by individual traffic. Because of the general increase in average trip lengths, the growth in traffic loads was higher than the corresponding indices for traffic volume. The overall lower level of numbers of journeys in the GDR and the considerably higher ratios of mobility for public transportation reflect the different degrees of personal transportation.

. . . in Individual Traffic

In total passenger traffic in the GDR in 1980, individual means of transportation made up almost one-half of the traffic volume (number of passengers carried) (FRG: four-fifths) and almost three-fifths of the traffic load (passenger kilometers) (FRG: four fifths). Compared with 1960, individual traffic has increased almost fivefold.

Within the Council for Mutual Economic Assistance (RWG), the GDR now has by far the highest degree of personal transportation.[3] However, compared with the FRG, great differences still exist. While there was one automobile for every 2.5 inhabitants here in 1980, in the GDR there were still six inhabitants for every automobile. But if motorized two-wheelers are included (motorcycles, motor scooters and mopeds), the degree of personal transportation in the GDR is only about one-fifth less than that in the FRG.

Jahr (3)	DDR (1) Insgesamt (4)	Öffentlicher Verkehr (5)	Individualverkehr (6)	Bundesrepublik Deutschland (2) Insgesamt (7)	Öffentlicher Verkehr (8)	Individualverkehr (9)
	Fahrten je Einwohner (10)					
1960	254	208	46	410	132	278
1965	285	207	78	457	123	334
1970	321	204	117	505	119	386
1975	393	227	166	556	127	429
1976	410	235	175	559	123	436
1977	424	239	185	557	123	434
1978	435	243	192	577	123	454
1979	442	244	198	594	125	469
1980	454	245	209	604	128	476
	Personenkilometer je Einwohner (11)					
1960	3 033	2 238	795	4 521	1 589	2 932
1965	3 813	2 227	1 586	6 129	1 547	4 582
1970	4 602	2 421	2 181	7 400	1 591	5 809
1975	5 846	2 944	2 902	8 331	1 713	6 618
1976	6 261	3 056	3 205	8 521	1 691	6 830
1977	6 526	3 138	3 388	8 802	1 724	7 078
1978	6 654	3 157	3 497	9 097	1 745	7 352
1979	6 814	3 165	3 649	9 415	1 798	7 617
1980	6 967	3 155	3 812	9 510	1 832	7 678

1) Ohne Luftverkehr, Binnen- und Seeschiffahrt.
Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Verkehr in Zahlen, Bundesminister für Verkehr, Bonn; Berechnungen des DIW.

Inhabitant-Related Figures for Passenger Traffic* in the GDR and the FRG 1960-1980

Key:

1. GDR
2. FRG
3. Year
4. Total
5. Public transportation
6. Individual traffic
7. Total
8. Public transportation
9. Individual traffic
10. Trips per inhabitant
11. Passenger kilometers per inhabitant

Excluding air traffic, inland water and maritime traffic.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; traffic figures, the Ministry for Transport, Bonn; calculations by the DIW.

Jahr (3)	DDR (1)			Bundesrepublik Deutschland (2)		
	Kfz / 1000 Einw. (4)		PKW-Anteil in vH (7)	Kfz / 1000 Einw. (8)		PKW-Anteil in vH
	Alle Kfz[2)] (5)	PKW[3)] (6)		Alle Kfz[2)] (9)	PKW[3)] (10)	(11)
1960	94	17	18	156	81	52
1965	176	39	22	191	158	83
1970	239	68	28	251	230	92
1975	316	112	35	325	290	89
1976	333	122	37	346	308	89
1977	352	133	38	366	326	89
1978	311	143	39	389	346	89
1979	333	151	40	411	367	89
1980	338	160	47	423	377	89
1990[4)]	450	250	56	533	480	90

1) Ohne Nutzfahrzeuge. - 2) Personen- und Kombinationskraftwagen, Motorräder und -roller sowie Mopeds. - 3) Personen- und Kombinationskraftwagen. - 4) Berechnungen und Schätzungen des DIW.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland.

Development of Traffic Density* in the GDR and the FRG 1960-1980

Key:

1. GDR
2. FRG
3. Year
4. Vehicle per 1,000 inhabitants
5. All vehicles*
6. Automobiles*
7. Automobiles as a percentage
8. Vehicles per 1,000 inhabitants
9. All vehicles
10. Automobiles
11. Automobiles as a percentage

Excluding commercial vehicles.
Passenger and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Passenger and dual-purpose vehicles.
Calculations and estimates of the DIW.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG.

The increase among small motorcycles and automobiles has been exhibiting considerable growth rates for years. By contrast, it is interesting that since about 1970 the number of motorcycles has been declining each year by a small amount. Because of the long waiting period from placing the order to taking delivery of a car (10

years or longer), as well as the high purchase price[4] and maintenance costs, the motorcycle is clearly only a temporary substitute vehicle for many who really want to have a car.

Currently, just under two-fifths of all households in the GDR own a car. As in the FRG, acquisition of a car is primarily dependent on income and age. Households whose monthly net income is below the average account for only about one-third of privately registered vehicles.[5] Households with retired persons, as is to be expected, have the lowest instance of car ownership, because of theire generally low income and the very high average age of those living there.

Jahr (1)	D D R (2)	Bundesrepublik Deutschland (3)
1960	3,2	19,6
1965	8,2	35,8
1970	15,6	48,0
1975	26,2	58,8
1976	28,8	60,7
1977	31,6	62,5
1978	34,1	64,5
1979	36,3	66,0
1980	37,4	67,5

1) Einschließlich der Haushalte mit mehr als einem PKW. - 2) Personen- und Kombinationskraftwagen; nur im Betrieb befindliche Fahrzeuge, ohne gewerblich genutzte Fahrzeuge.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Kraftfahrt-Bundesamt; Berechnungen des DIW.

Ownership of Automobiles* by Private Households* in the GDR and the FRG 1960-1980 in Percentages

Key:

1. Year
2. GDR
3. FRG

Passenger and dual-purpose vehicles; includes only vehicles in operation, excluding vehicles used for trade.
Including households with more than one vehicle
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; Office of Transportation; calculations by the DIW.

The automobile is far and away at the top of the list of desirable items for GDR citizens. Polls in 1979 showed that 53 percent of all workers and salaried employes households in the GDR already owned a car, and another 30 percent would like to own one. In 1973 the comparable figures were 36 percent in each category. Taking into consideration the actual possibility of satisfying demand,[6] estimates are being made of about 4 million cars in the GDR in 1990, or a degree of personal transportation of 250 cars per 1,000 inhabitants. These are figures which traffic researchers in the GDR can no longer assume to be equivalent to a saturation point. All previous prognoses for individual traffic are now proving to require revision. Also, the difficulties of plotting accurate prognoses for personal transportation and, derived from that, for individual traffic, are becoming clear.

This presents a serious problem for national economic planning, which envisions a marked reduction in the consumption of crude oil products in all areas of the economy[7] in view of difficulties in energy economics.

Individual traffic currently accounts for about one-third of the energy consumption of all transportation (including freight traffic). That is clearly more than all the modes of transportation employed in public transport consume together. This area would, therefore, be the most suitable for measures to conserve energy. The "use-related fuel consumption standards," which have been in force since the beginning of 1982 and which prescribe the maximum amount of gasoline and diesel fuel that can be consumed per 100 kms according to vehicle type and model year, apply only to the approximately 300,000 official and business vehicles (10 percent of the total number).[8] To what extent additional worthwhile savings in consumption are possible as a result of design changes on the Trabant or the Wartburg (engine, carburetor, transmission, lightweight construction, and so on), remains to be seen.

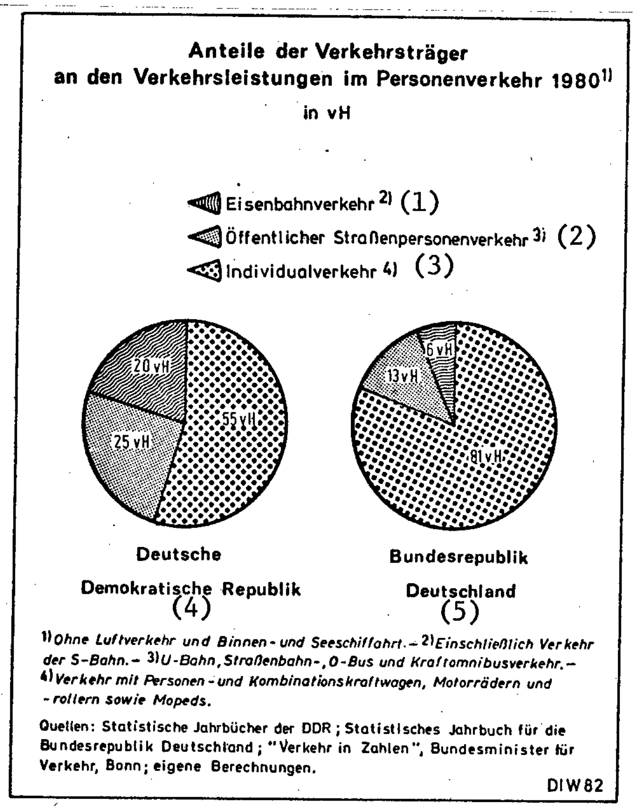
Another central problem is that of vehicle maintenance. As a consequence of the long waiting periods for new cars, available cars are used for an unusually long time and are correspondingly in need of repair. The capacity for car maintenance is lagging far behind the increased demand. Even if the increases in maintenance capacity predicted in the current five-year plan (just under 50 pecent) are achieved, there are likely to be bottlenecks in this area, particularly as the number of cars continues to grow. Inadequate repair shop capacity and the shortage of spare parts are definitely one reason that an official vehicle inspection program on a rotating basis, such as is conducted by the TUeV every 2 years in the FRG, is not mandatory in the GDR.

The road network in the GDR, viewed statistically, is adequate for the increased demands of individual traffic. With a network density of about 110 kms/100 km^2, the GDR can certainly match Western European countries. Vehicle occupancy of the roads is still far below that of the FRG, for example, because of the low volume of traffic. From this the GDR planners conclude that there is adequate capacity for individual traffic in the future. However, in its basic structure, the road network, which was inherited from the former German Reich, is extremely antiquated and is no longer adequate for the demands of today's traffic. The condition of the road surface, the dimensions available for expansion of the major highways, the large number of surface-level railroad crossings and much more would require substantial investment, if capacity is to be increased to any marked degree. Today there are frequent

traffic jams at sensitive traffic intersections, particularly in the highly industrialized south. In contrast to the assumptions of GDR highway planners, there must be doubts that the future requirements of individual traffic can be met successfully simply by organizational measures and the accelerated construction of bye-passes.

. . . . while Public Transport Stagnates

In 1980 the volume of traffic on public transportation was about 4.1 billion persons. On the average, 11 million persons (FRG: 22 million) traveled by rail, bus, tram, trolleybus or subway each day.



Share of Passenger Traffic Load by Carrier 1980* in Percentages

Key:

1. Rail traffic*
2. Public road passenger traffic*
3. Individual traffic*
4. GDR
5. FRG

[Key continued on following page]

Excluding air traffic, inland waterway and maritime traffic.
Including intra-urban traffic.
Subway, tram, trolleybus and motor bus traffic.
Passenger car and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; DIW calculations.

Certainly as a result of the closing of unprofitable branch lines on the Reichsbahn in the 1960's, the railroad accounts for only about one-seventh of this traffic (1960: one-quarter), while in the same period bus traffic (crosscountry traffic, including factory traffic) increased its share from just under one-fifth to more than one-third.

As in the case of freight traffic[9], previous tendencies are to be reversed here as well. In accordance with the principal requirements of conserving energy, bus traffic over longer distances, which is less efficient in this respect, will be terminated if there is an alternative service available on the railroad. A reduction in regularly scheduled public service during off-peak periods and an examination of temporary bus services are additional measures intended to bring about a switch to the railroad.

Bus traffic has also increased substantially in importance in local urban traffic. But the tram is still the principal means of tranportation, with a share of two-thirds of the passenger traffic carried. Trolleybuses are used in only a few cities, a subway exists only in East Berlin. Consequently, both means of transportation play no part in the overall framework of the transportation system.

According to GDR calculations of specific energy consumption (kilojoules per passenger kilometer) for mass transit in local traffic, the intra-urban train has the best consumption figures. It is followed by the streetcar, subway, trolleybus and motor bus. This ranking is reflected in the principal requirement for urban short-distance traffic in the 1980's, that absolute precendence should be given to rail-borne electric mass transit[10], and that, as far as possible, further establishment of bus routes should be avoided.

The streetcar track networks, which have been severely neglected in recent years, are being modernized in stages. By acquiring their own right-of-way, the expansion of the streetcar routes is being pushed ahead rapidly into a high-speed streetcar network. Plans are for the bus to fulfil a general transportation service function by opening areas to traffic in cities without a streetcar service, intra-urban or subway, but otherwise it will increasingly perform the function of a feeder service.

The railroad will also increasingly assume the job of local transportation in major cities and high-density areas. However, some of the railroad's routes are already overloaded now with freight and passenger traffic.

The capital available in the current five-year plan for local transportation is needed mainly for opening up new residential areas to traffic, and these areas are being built almost exclusively (up to 91 percent) on the outskirts of the cities.[11]

Verkehrsarten (1)	DDR (2)					Bundesrepublik Deutschland 2)(3)
	1960	1965	1970	1975	1980	1980
	Verkehrsaufkommen Beförderte Personen in Mill. (4)					
Öffentlicher Verkehr (5)	3 598	3 513	3 477	3 818	4 097	7 895
Eisenbahnverkehr[3] (6)	943	684	626	634	607	1 165
Kraftverkehr[4] (7)	688	941	1 137	1 343	1 484	6 730
ÖPNV[5] (8)	1 967	1 888	1 714	1 843	2 006	
Individualverkehr[6] (9)	790	1 334	2 000	2 800	3 495	29 280
Verkehr insgesamt (10)	4 388	4 847	5 477	6 618	7 592	37 175
	Struktur in vH (11)					
Öffentlicher Verkehr (5)	82	72	63	58	54	21
Eisenbahnverkehr (6)	21	14	11	10	8	3
Kraftverkehr (7)	16	19	21	20	20	18
ÖPNV (8)	45	39	31	28	26	
Individualverkehr (9)	18	28	37	42	46	79
Verkehr insgesamt (10)	100	100	100	100	100	100
	Verkehrsleistung Personenkilometer in Mrd. (12)					
Öffentlicher Verkehr (5)	38,6	37,9	41,3	49,6	52,8	112,8
Eisenbahnverkehr (6)	21,3	17,4	17,7	21,3	23,1	38,9
Kraftverkehr (7)	9,9	13,5	17,3	21,0	21,5	73,9
ÖPNV (8)	7,4	7,0	6,3	7,3	8,2	
Individualverkehr (9)	13,7	27,0	37,2	48,9	63,8	472,7
Verkehr insgesamt (10)	52,3	64,9	78,5	98,5	116,6	585,5
	Struktur in vH (11)					
Öffentlicher Verkehr (5)	74	59	53	50	45	19
Eisenbahnverkehr (6)	41	27	23	22	20	6
Kraftverkehr (7)	19	21	22	21	18	13
ÖPNV (8)	14	11	8	7	7	
Individualverkehr (9)	26	41	47	50	55	81
Verkehr insgesamt (10)	100	100	100	100	100	100

1) Ohne Luftverkehr, Binnen- und Seeschiffahrt. - 2) Aufgrund unterschiedlicher Abgrenzungen kann für die Bundesrepublik Deutschland nur ein Gesamtwert für den Kraftomnibus- und den öffentlichen Personennahverkehr ausgewiesen werden. - 3) Einschließlich S-Bahnverkehr. - 4) Oberlandverkehr mit Kraftomnibussen; einschließlich Werkverkehr. - 5) Öffentlicher Personennahverkehr (U-Bahn, Straßenbahn, Obus und Kraftomnibus). - 6) Verkehr mit Personen- und Kombinationskraftwagen, Motorrädern und -rollern sowie Mopeds.

Quellen: Statistische Jahrbücher der DDR; Statistische Jahrbücher für die Bundesrepublik Deutschland; Verkehr in Zahlen, Bundesminister für Verkehr, Bonn; Berechnungen des DIW.

Development of Passenger Traffic* in the GDR 1960-1980

[Key on following page]

Key:

1. Type of traffic
2. GDR
3. FRG
4. Volume of traffic. Number of persons carried in millions
5. Public transportation
6. Rail traffic*
7. Motor vehicle traffic
8. Public local passenger transportation (OePNV)*
9. Individual traffic*
10. Total traffic
11. Structure in percentages
12. Traffic load. Passenger kilometers in billions

Excluding air traffic, inland water and maritime traffic.
Because of different methods of demarcation, only a total figure for motor bus and public local passenger traffic in the FRG can be given.
Including intra-urban railroad.
Crosscountry traffic with motor buses; including works traffic.
Public local passenger transportation (subway, streetcar, trolleybus and motor bus).
Transportation by passenger car and dual-purpose vehicle, motorcycles, motor scooters and mopeds.
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; calculations by the DIW.

There is hardly anything left for the fundamental modernization of the existing infrastructure. Consequently, it cannot be assumed that the expansion of individual traffic in the cities can be prevented by organizational measures alone. This is borne out by the fact that the demand recurring in all one-year and five-year plans for "safe, punctual and reliable transportation to and from work" has still not been met.

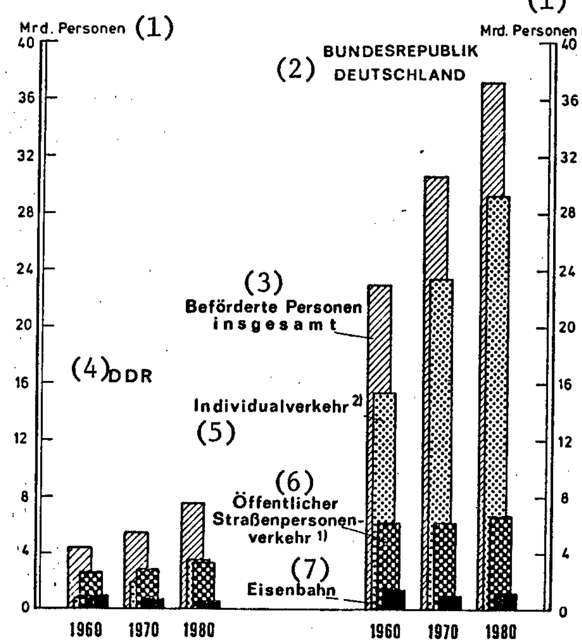
Evaluating the Possibilities in Transportation Policy

The conclusion one must not lose sight of is that even socialist states like the GDR have not been able to make any alternative ideas in transportation a reality.[12] Only the arrangement for prices and/or fares for public and individual means of transportation meets the transportation policy goal of priority for public transport.[13]

Domestic railroad fares and fares on the bus or local urban transportation have remained constant and very low for decades.[14] For example, a streetcar journey as a rule costs M 0.20, and sometimes even less. The fares, which are tantamount to free fares, particularly on local transportation, require constantly increasing subsidies (1980: about M 3 billion). This is repeatedly given special emphasis as a significant element in the social policy of the GDR.

Individual traffic, on the other hand, is expensive. A liter of premium gasoline costs M 1.65 (regular gasoline: M 1.50), although this has not changed in years. Added to this are the high purchase costs for cars. In spite of these economic hardships in personal transportation, the demand for individual means of transport is still far ahead of supply.

Struktur des Personenverkehrsaufkommens in der DDR und der Bundesrepublik Deutschland
(1)



1) *U-Bahn-, Strassenbahn-, O-Bus und Kraftomnibusverkehr (DDR einschl Werkverkehr mit Kraftomnibussen).– 2) Verkehr mit Personen- und Kombinationskraftwagen, Motorrädern und -rollern sowie Mopeds.*

Quellen: Statistische Jahrbücher der DDR; Statistisches Jahrbuch fur die Bundesrepublik Deutschland; "Verkehr in Zahlen", Bundesminister fur Verkehr Bonn; eigene Berechnungen.

DIW 82

Structure of Passenger Traffic Load in the GDR and the FRG

Key:

1. Billions of passengers
2. FRG
3. Total number of passengers carried
4. GDR
5. Individual traffic*
6. Public road passenger traffic*
7. Railroad

Transportaton by passenger and dual-purpose vehicles, motorcycles, motor scooters and mopeds.
Subway, streetcar, trolleybus and motor bus traffic (GDR includes works traffic by motor bus).
Sources: Statistical Yearbooks of the GDR; Statistical Yearbooks for the FRG; "Traffic in Numbers," Minister for Transport, Bonn; DIW calculations

The automobile has become an object of daily use even in the GDR and has assumed the character of a means of mass transit. The socialist planners are apparently facing this phenomenon with the same powerlessness as Western transportation policy makers. As a result, little is being done except attempts to promote public transport in cities and high-density areas and to make it more efficient. Better coordination of public transport (railroad, bus and local urban traffic), harmonization of routes and lines, abolition of parallel traffic, systems for opening areas up and then serving them are being integrated between long-distance and regional traffic, car pools for passenger transportation to and from work, the creation of pedestrian zones and much more are measures aiming in this direction. The result of the construction of new residential areas almost exclusively on the periphery of the cities is that many trips which could previously be made on foot or by bicycle now require some form of transportation to be used. This development was a prime cause of the expansion of individual traffic in the FRG.

So even the transportation policy of the GDR is not free of contradictions. In western countries, solutions have been sought long and unsuccessfully to the problems caused by individual vehicular traffic. It cannot be expected that simple appeals to the socialist conscience of GDR citizens not to use the automobile excessively in city traffic will be sufficient.

FOOTNOTES

1. "Law of 3 December 1981 on the Five-Year Plan for the Development of the GDR Economy During 1981-85," GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK, Part I, No 35, pp 411 and 413.

2. The SrV was carried out for the first time in 1972 in 16 cities in the GDR and for the new edition of 1976/77 it was expanded to cover 30 cities, in which about one-third of the population of the GDR lives. With regard to the subject of the questions, this poll is directly comparable to the KONTIV poll in the FRG. However, the latter did cover the entire country. See: Social research Broeg: "Continuous Polling on Traffic Behavior" (KONTIV), 1975, 1976, 1977. The poll was conducted for the Minister for Transport (copied as a manuscript), Munich, 1978.

3. See: "Personal Transportation in RWG Countries," edited by Maria Lodahl, WOCHENBERICHT DES DIW, No 48, 1979.

4. In 1981 the average monthly net income was M 800. The cheapest car (Trabant) costs M 8,000 to M 10,000, depending on equipment, the Wartburg costs about M 20,000. Imported cars are even more expensive, for example, a Mazda 323 costs M 24,000.

5. In 1980, over 60 percent of households with a monthly net income of more than M 1,400 (this is approximately equal to the average income) already owned a car. See: Peter Stockmann, "Changes in the Area of Passenger Transportation with Special Attention to Individual Means of Transportation," MARKTFORSCHUNG--MITTEILUNGEN DES INSTITUTS FUER MARKTFORSCHUNG, Leipzig, No 2, 1981, p 26; also, Hans-Werner Schleife, "The Growth of Individual Vehicular Traffic in the GDR," DDR-VERKEHR, No 12, 1978, p 409.

6. In the past decade, the number of cars has been increasing on the average by about 150,000 annually.

7. See: "Strong Economic Growth--The State of the GDR Economy at the Year's End 1981-82," edited by Doris Cornelsen, WOCHENBERICHT DES DIW, No 5, 1982, pp 75 ff.

8. This figure was derived from information about the number of private households owning a car.

9. See: "GDR: Freight Traffic Returns to the Rails," edited by Rainer Hopf, WOCHENBERICHT DES DIW, No 8, 1981, p 86.

10. Another reason can also be seen in the fact that the energy needed for electric propulsion can be produced from domestic soft coal. The planned speed-up of electrifying lines on the Reichsbahn (750 kms) contained in the current Five-Year Plan is based on this view.

11. See: Heinz Engelmann, Hans-Werner Schleife and Werner Voigt, "The Development of Urban Traffic, with Special Attention to the Housing Construction Program," DDR-VERKEHR, No 12, 1980, p 417.

12. See: Thomas Weymar, "The Automobile, Status Symbol Under Socialism," DEUTSCHLAND-ARCHIV, No 3, 1977, pp 271 ff.

13. See: "The Relative Buying Power of the D-Mark and the GDR Mark in Mid-1981," edited by Charlotte Otto-Arnold and Heinz Vortmann, WOCHENBERICHT DES DIW, No 3, 1982, p 52 f.

14. Railroad fares were increased by 50 percent for journeys involving border crossings to other socialist states (beginning on 1 May 1981). There were also drastic rate increases in domestic freight traffic--although they were differentiated by carrier--whose aim was to lower the cost of transportation and to effect shifts in transportation to more the more energy economical railroad and inland waterways.

9581
CSO: 2300/278

STATE AUDITS REVEAL SHORTCOMINGS IN ENTERPRISE CONDUCT

Budapest PARTELET in Hungarian No 4, Apr 82 pp 7-11

/Article by Dr Dezso Suto, chief director of the Finance Ministry's Audit Department: "Economic Operational and Financial Discipline"/

/Text/ The present condition of economic operational and financial morale can be classified in many ways on the basis of information, examples and statements. There is no limit to the number of derogatory adjectives. This also moved the Audit Department of the Ministry of Finance to analyze the reasons which create the basis for voicing disapproving opinions. At the writing of this article the picture of last year's economic results is not yet complete, yet much experience has been accumulated from the preliminary information; it is worth revealing a few of them.

It is general knowledge that socialist management of the economy cannot dispense with mutual trust between those directing it and the enterprises, nor among the enterprises themselves; this--among other things--can be one of the foundations for firm economic operational and financial discipline. Of course, this trust must be implemented not just in general terms but also in very specific respects. But just as I do, many people with me remember the situation, the general pessimism which followed the introduction of the pricing and regulatory system in 1980. The heads of many enterprises--supported also by heads of social organizations--reasoned stormily against the "unbearable" extent of the restrictions. They exploited every forum to win specific easements by reasons of various difficulties. Time was rolling on, and in possession of the balance sheet data most of them gradually retreated--because the regulation deemed excessively severe can, on many points, be called rather lax. It can not be stated that the apprehensions of the time were unfounded in all cases. But it is also a fact that the 1981 balance sheets are reflecting better results than ever before. The analyses--as I have already mentioned--are under way, but that much is already certain that the improvement of the results derives not only from better work but also from other "sources" (for example, from the consumption of "profit reserves" formed earlier, from price increases, etc.).

Economic operation in 1981 started out with better money supply than in the previous year, and in an organized economic environment--due to more thorough knowledge of the new regulators. In general, the enterprises and cooperatives

endeavored to make efficient use of the financial tools and credit, avoiding the unnecessary interest burdens. The traffic in materials and merchandise between the economic operating entities became significantly livelier, and the movement of goods and money followed each other more closely. Evaluations and analyses made during the year about the movement of money indicate that deliveries are paid for sooner and more smoothly.

In the composition of payments made within 30 days, which represents the bulk of payments made among the enterprises to each other, the ratio of 10 and 20-day payments has increased. The circle of enterprises owing significant amounts of money and for a long time, and the amount of monies owned, were much smaller in the first three quarters than a year earlier. But payment problems again increased in the last three months of the year--due primarily to the peak periods in sales and delivery.

The financial situation of the economic operating units continued to improve in 1981. Profit increase was a definitive factor in the better money supply. The amounts owed on accounts increased, and the amount of money in the accounts of the enterprises was also significantly higher than in 1980. Because of the livelier financial processes and more favorable supply of private resources the demand for revolving credit moderately increased in spite of the fact that production and sales significantly increased.

Thus, seemingly everything is in order. The adjectives used in the summaries are: improving, increasing, expanding, etc. But the situation is far from such when we examine the acceptance and fulfillment of obligations, repayment of loans, and observing deadlines. It does not even occur to many managers that the huge industrial enterprise constantly "standing in line" is a piece of the total property of the people, and if it does not fulfill its obligations it makes the situation of the suppliers as well as of the state more difficult. Neither our present nor our future circumstances permit such large differences between words and facts. It would also help decrease the differences if the appropriate state organs and party organizations would review afterwards: who wanted to "convince" whom, and with what reasons, and how do these reasons stand up in the mirror of the facts. By doing so in some cases light would also be shed on the absurdities of the realization of interests.

The Mirror of Organization

It is always important for order to prevail in ideology and in record-keeping, but especially so when the conditions of economic operation become more complicated. The situation of the economy must be known precisely in order to know what can and must be done, since the effects of the environment carry in themselves many factors of uncertainty.

The study made of the accounting system of the economic operating entities is published every year. This reflects that order and discipline are not universal on the one hand, and on the other hand, they are not improving, either. Since 1979 we have been controlling and evaluating the records of the enterprises by a new method, and we have also made these viewpoints

available to internal control. We collected and for the purpose of education published the most frequently occurring and most typical accounting errors. We used every forum--including the regular conferences of chief accountants--to place the importance of certified accounting discipline into the focal point of economic development.

But the situation is hardly changing at all. Our inspectors have established significant discrepancies in the accounting order and control discipline at about 4,600 enterprises and cooperatives, and some of these are repeat offenders. The consequence is: 60-70 percent of the economic operating units have been turning in erroneous balance sheet reports for years. In about 100 cases we have found such reports which endangered the protection of social property. Lack of order in cost calculation, accounting and bookkeeping are frequent phenomena, as are the ignoring of the formal and contentual requirements of proof. The control mechanism of computerized data processing systems, and the required path of correcting errors are also not sufficiently regulated.

Accounting does not exist for its own sake: it is the mirror of economic operation and organization. At the same time a well organized accounting and proof system are preconditions of improving economic operation and protecting the state's property. It directs and evaluates economic operation, and by means of the reasonable checkpoints built into the system it is the basis of reliable and important information for management. After all, it must be understood that the gaps in internal regulation or the orders which were not issued, the system's errors in practical implementation qualify first of all the management, but also the work of the entire collective of the enterprise. For this very reason the collective's control should be sharper, the system should be surrounded by broader social interest, which also includes the condemnation of those who regularly make mistakes. These requirements are justified also when "as a result" of control the fines or procedures for breaking the rules are implemented anyway.

It would not be correct to "assign" all the responsibility for the shortcomings to the enterprises. The control determines the mistakes and errors not only to the advantage of the enterprises and cooperatives but also to their disadvantage. This indicates that the amount and complicated nature of the instructions and directives is not synchronized with the absorption capacity and capabilities of the enterprise experts. Consideration must be given to the insufficient moral and financial appreciation and the high turnover of the accounting and financial workers employed by the enterprises.

The Correct Interpretation of Good Contact

The contract is an agreement dealing with the establishment, modification, or termination of rights and obligations, and is the most typical expression of merchandise trade. Under the socialist conditions of property ownership the contract system is an important tool of the planned and proportional growth and management of the economy.

The follow-up examination by the Control Directorate of the Ministry of Finance concluded about the regularity of the contractual relationships that the situation has not improved in recent years. The economic operating units generally fulfill the formality requirements, even though the records of very many enterprises and cooperatives are incomplete--and this refers to sellers as well as buyers--: they do not adequately record the unfulfilled obligations, or the ones deriving from the late payment of monies owed. The question is rightfully asked: how high can the financial morale be at a place where payment deadline, the time when late payment was made, and the amount of penalty or interest charged or which could be charged, are not recorded? It is difficult to follow this way who owes whom and for what, when payment is due, and what are the consequences of failure to perform. And, are there any consequences? It can be stated on the basis of our studies that nowadays the enterprises emphasize the acknowledgement of economic advantage, the "good relationship" at any cost. In practice the legal consequences of violating the contractual relationship are hardly ever implemented. The reason for this is that the condition of partnership connections has more influence on cooperation than interests, reimbursements for damage, or penalties.

Well thought out, planned and efficient economic operation is made more and more doubtful by partnership relationships based on subjective elements rather than agreements. An enterprise can hardly succeed under the changing market conditions without stable and proper cooperation.

People with their feet planted on the ground know: there are situations when subjective assistance is indispensable. There is nothing unhealthy in this, but there is in the situation when matters of public interest can not be handled without the so-called "good connections." The control study experienced--what others also know--, that very often the "good connection" is based on mutual "favors," behind which frequently unjustified advantages and other immoral behavior are concealed. And I will add to this: the reason may even be the service of a seemingly good cause. It is still quite a frequent thing today the person is considered a clever manager who can obtain raw materials, semifinished products, or parts necessary for the job on the basis of his connections, perhaps even just by a phone call. Who considers at such times that as a result of the good connection, of "handling the matter," the situation of another collective was upset because the missing material was obtained at the cost of violating [another] contract, by causing problems to another enterprise. What kind of economic operational morale is this, and what financial morale corresponds to this?

It is heard at times from the foreign partners that even though the Hungarian partner is reliable as importer, it is less reliable as exporter: it rarely delivers according to the terms of the contract. This practice does not help improve the foreign trade balance.

It must be noted in spite of all the shortcomings that the economic operational, financial, and contractual discipline could be good even under today's conditions. During the course of our control audits we have found a large number of enterprises and organizations which for years have had order in their accounting, the balance contains data corresponding with reality, and they accurately fulfill their obligations.

More Consistent Implementation of Distribution According to the Work Done

It will probably seem amazing if I state that at this time the amount of income not derived from work directly can be estimated to total over 10 billion forints, and this is the consequence of obtaining income which damages the common good and society.

The political effect of income obtained without work--or out of proportion with performance--is also negative. At the same time these various ways of making money generally do not mean that the original incomes are being redistributed among the population, but represent an unrecorded part of original income distribution. It can not be stated that the majority of working collectives and managers are endeavoring to obtain unjustified financial advantages, but the audits have shown that often the undesirable and reprehensible cases are taking place with the approval of the managers and in front of the eyes of the collective. For example, how many people know about the phenomena where, in addition to receiving money for the use of one's automobile, the person regularly uses a company car; or, where service apartments are used free, or even purchased for very low prices--with time payment privileges? Does everyone always pay the fee on time for tilling the household plot land? Etc.

The various economic situations of the enterprises and cooperatives, and exploitation of unequal partnership relationships make it possible in many cases to obtain these extra incomes. Setting up the so-called "miscellaneous legal relationship" is a typical case of abusing excessive economic power. On the basis of this it is possible to pay fees--far out of proportion with the work done--at the expense of wages outside the budget, or to pay for fictitious performances. The irregularities are compounded by the fact that the working tools and materials owned by the state are being used free of charge also to perform the work.

It is a noteworthy phenomenon that only a very small portion of the affected enterprises and cooperatives object to the audit's findings. There have also been instances when at the concluding hearing the legality of the findings was questioned but they did not avail themselves of the opportunity to make written observations. It is also typical that in general the management of the enterprise considers the unvailed phenomena only as economic rulebreakings, and does not feel the socio-political content concealed in them. On the other hand, the heads of a number of enterprises and cooperatives have already furnished information at the concluding hearing about eliminating the recorded problems and shortcomings, and about the steps they have taken in the interest of these. The measures were directed not only at correcting the accounting and proof systems and at setting up the necessary internal regulations, but also at initiating disciplinary procedures and repaying the sums of money received illegally.

The use of "small gaps" is also frequent in our economic life, which in effect exploits the loopholes in the regulations. At times, "rationalization" covers up consciously committed abuse. For example, this type of a

signal: "we must solve the accounting problem somehow" is not a rarity in business letters from the boss. And the chief accountants always find some solution--if nothing else, then one that violates the law. Or something else: in mid-December, a number of economic managers will state what the profits of the enterprises they head will be--even though the peak period of merchandise and money movement is taking place right then. And it has also happened that this same manager requested leniency, a delay in filling the balance sheet reports in February because "...the accounting has not yet been completed."

What can, and what must be done? In my opinion it is not enough if the party organizations emphasize the resolutions of the party congress concerning discipline, accounting, and responsibility. First of all, the methods of distribution and acknowledgement of work done--which evaluate all performance characteristics--must be improved, contributing thereby to having differentiation recognized as a social requirement.

The work of managers should be weighed by the collective as well as by the supervisory organs on the basis of suitability and success, and we should not be proud of our managers, our fellow managers who maneuver cleverly, who exploit personal connections, and who force or beg for unlawful advantages. If broader social control followed the economic management, the financial morale, and distribution, it would mean the expansion of socialist democracy and its fulfillment with new content.

Under the more tense economic circumstances the illegal incomes are harder and harder for society to endure, as they deteriorate the public's feeling of wellbeing and the political public opinion. We must pay serious attention to these phenomena also because it exists in broad circles and in an extremely diversified way, often in ways not legally objectionable, and at other times perhaps in ways where legal responsibility cannot be proven. Discovering them perhaps a year or two later the facts makes them also lose some of their significance according to our legal practice. Social activity in this area is also justified by the fact that the personal social and economic connections, the morally reprehensible mutualities--apart from a rare exception--cannot be, or are difficult to, apprehend by the auditing organs, and anyway this is not their regular assignment.

Internal auditing can do much more than it is doing now to uncover the phenomena which harm the socialist economic operational ethics and morale, and to eliminate them with the help of the party organizations and managers.

Second jobs, part time jobs and the establishment of other legal relationships are sufficiently regulated questions, repressing them would not serve our economic goals. But calling to life new formats of enterpreneurship may make it necessary for example for the organs of authority to review and interpret the category of incompatibility.

In socialism the decisive majority of adults able to work spend a significant portion of their lives at their places of work, in economic operation. A

person's social relationships are concentrated to a significant extent at the place of work, and are formed here. For the most part the place of work also designates the territory also for social work performed for the community, and for activity in public life. Doing work and the economic relationships cannot be imagined without contacts among people.

A portion of these relationships can and must be regulated, while another portion of them is organized in the proper directions by social standards. But the regulations alone, and the standards alone, by themselves are insufficient to implement the over-all society's interests. We must demand coordinated legal and political responsibility from the enterprises and from individuals and we must also encourage them in this direction with all the means and all controls available. But responsibility and political commitment cannot be replaced by regulations.

8584
CSO: 2500/244

MORE INNOVATION IN ECONOMIC LIFE URGED

Budapest MAGYAR NEMZET in Hungarian 11 Apr 82 p 5

[Interview with Adam Juhasz, state secretary, by Bela Weyer: "Innovation at the Secondary Level: To Innovate--But How?"; date and place not specified]

[Text] The Hungarian economy has never been in so great a need of new products, new markets and new methods--in other words innovation--as today. This observation can hardly be doubted, but it is still a fact that in the process of efforts toward innovation we often run into obstacles that we ourselves have created. It is not accidental that at the recently organized First Academy of Innovation in Tata Dr Adam Juhasz, state secretary in the Ministry of Industry expressed himself thus in his opening address: "I am in a difficult situation, because I cannot speak about innovation at the academic level. My practical experience has shown that in general we are only doing it at the level of secondary education..." And why? Are the results of research poor, is industrial development weak? We talked about these questions with the state secretary.

It Begins with the Market

[Question] Research and development cannot be separated from economic processes as a whole. Do you agree with that?

[Answer] Yes. If we restrict innovation to this area, it ceases to be viable. If the results of research and development must be put into practice artificially, we get an immune reaction; in other words, the economic organism rejects the new thing forced into it as a foreign body. Innovation must penetrate into all economic processes, including production, market work and marketing [sic]. In fact, it must begin here. For it is precisely here that we can learn what can be sold profitably and hence what should be manufactured, or in which direction innovation should proceed.

In my opinion the problems should be sought in this latter area. The techical level of our products--which is also the result of research and development--is good enough. There are more problems with quality and efficiency of production, but the really backward area is in sales, marketing and market research.

It must be emphasized that the picture is--fortunately--varied. Many, and increasingly more, enterprises are practicing innovation, particularly marketing work and market-directed technical development with world-market competitiveness. Among these are both small and large enterprises, which shows that this is possible. Most of the enterprises, however, do not meet the requirements for competitiveness, but even they are beginning to move in that direction--even if slowly.

[Question] What are the reasons for their shortcomings?

[Answer] First of all insufficient economic pressure. As long as the enterprises find that they can get along without innovation, they inevitably ask: what good is innovation for us? Why should we develop, why seek new marketing possibilities, why disturb the present product structure and sales practices?

Secondly I would mention inward orientation. As a result of their basic attitude of relating everything to themselves, the enterprises have reported production increases from year to year and better and better economic indicators relative to previous periods. The number of "champion" operations has increased--but this hasn't meant much, since the rate of growth of the producers that are leading the world has been faster than ours; thus the technology gap, the distance between us and the developed industrial countries, has not decreased here but increased instead. Naturally we cannot generalize about this either, since many operations have moved up in ranking.

And lastly the lack of a comprehensive industrial policy has played a part in all of this. We have not recognized, and in some cases we have still not formulated sufficiently clearly our possibilities and tasks. We must also list among the reasons the obsolete internal structure of enterprises and the excessive centralization of the relationships between decisions and interests.

Dangerous Comfort

[Question] You mentioned just now the insufficient pressure for innovation. This means, among other things, that domestic enterprises that have failed in or have not even attempted to enter the world market can still survive comfortably. For they can still sell on the domestic market their obsolete, and very expensive products that are in no way competitive on the world market...

[Answer] Unfortunately, this is often true. Many enterprises are practically in a position of monopoly in this country. For them, market pressure is mostly a fictitious thing. Of course the mechanism attempts to imitate market pressure for them too--with the help of the pricing system--but like every imitation this can only operate with limited effectiveness. The indirect judgments made by regulations can never be as effective as the judgment of a real marketplace--and moreover when we do something indirectly it is easier to make concessions as well. We permit more readily that a particular enterprise departs from the regulations and sets its own prices...

[Question] ...so we get management by exception?

[Answer] ...yes, or we could state it as unequal enforcement. And in addition to that there are regular channels resulting from the mechanism as well. For instance there are prices of the self-financing type. For them we don't even attempt to imitate or follow world-market prices and the market judgment that comes from them. Unfortunately, more than a third of our products belongs to this category.

[Question] Can any change be expected in this area? Because if there is no appropriate pressure, we can hardly expect any progress, even though we still talk about innovation, can we?

[Answer] In economic life, not only the automations that come from the regulations have an effect, but we can also count on efforts based on analysis of the situation by managers and collectives, responding to world market challenges. The fact that in our day a greater readiness to undertake [new things] is emerging--and not just within small undertakings, but in large operations as well--should lead to a termination of the monopoly situation mentioned earlier, or at least to a reduction of it.

On the other hand, the imitation we talked about before, that is the methods of setting prices and our whole economic mechanism, is continually becoming more modern and developing. Of course even so, only some of the enterprises will be in a situation where they will have to struggle with all their might--but it would be difficult to say anything that would resolve the whole question at one blow.

There is still another possibility--and hopefully this will be achieved--an increase in domestic competition: "potential import." It is potential because it is not necessary to import a large quantity of goods in order for competition to be livened up. It is enough that we provide an opportunity so that if the products of a domestic manufacturer in a monopoly situation are expensive and obsolete, then the consumer can buy from abroad as well. With this he can "shock" the domestic companies that have become too comfortable, and they will be forced to look for ways to innovate.

There Is No Other Way!

[Question] Finally, why is innovation so important? Is there no other possibility?

[Answer] If we look around in the world [to see] what we can live on these days, what a country can produce exports from, in particular profitable exports, we can see that there is not. I emphasize that innovation does not necessarily mean investment, but rather a better use of existing means. You see, we can only achieve a permanent position on world markets with items that are in short supply--for instance strategic raw materials--or with intellectual monopolies. This includes equally patents, manufacturing experience, trademarks and marketing methods. The best example of this is Japan, which, as is well known, is a country poor in energy and raw

materials, but it was unshaken by either the oil crisis or the recession. For that they can thank mainly the fact that they have been able to incorporate into their modern products and market work intellectual capacities, whose price could rise along with the increase in energy prices.

Readiness to innovate, or an innovative attitude in an economy, is an intellectual monopoly for which the world market will pay. Since Hungary also does not abound in either energy or raw materials, it is clear that for us also innovation is the only way to go.

9611
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INDUSTRIAL REFORM, PRODUCTION CAPACITY ASSESSED

Unused Production Capacity

Warsaw PERSPEKTYWY in Polish No 10, 23 Apr 82 pp 8, 9

[Article by Andrzej Zimowski: "The First Small Key"]

[Text] Pessimistic reports are coming in from many industrial enterprises of our country: production of a certain good has been halted, there is a lack of domestic raw materials and semi-finished products, coproducers are not meeting their obligations, foreign-trade organizations are not signing contracts for imports that are needed to continue production. Difficulties are proliferating, the delicate network of coproduction links is bursting, machinery, shops and entire enterprises erected and installed for outlays going into many billions are coming to a halt. The supplies are short, despite the fact that production is lower than 2 years ago.

If we take our 1979 industrial sales volume 100 percent, the 1982 plan is markedly lower at a mere 87.9 percent.* The plans vary among economic-type ministries. For example, in the former chemical industry ministry this indicator is worse still--only 81.1 percent of the 1979 sales.

Comparing percentages does not show everything; they do not reveal what is actually behind the statistics.

What Is Behind the Statistics

This means that with the sale prices accepted for the elaboration of the 1982 draft plan, industry will sell about 500 billion zlotys less of its products than in 1979. Half a trillion less!

Such a precipitous decline in production triggers an avalanche of consequences: tens of thousands of workers receive remuneration without contributing to the national income. Consequently, there are fewer goods on the market with surplus money accumulating simultaneously. This means lower exports and attendant difficulties in paying foreign debts and also lower

*To ensure comparability, all statistics have been converted to 1982 plan prices.

imports, which consequently exacerbates a bad situation in production and results in the deterioration of basic technico-economic indicators of the industrial enterprises and, in turn, to an increase in production costs. In short, nothing but losses.

It should also be borne in mind that 1979 domestic industrial output was not the peak of what our industry can accomplish. According to conservative estimates, production capacities would have made it possible to increase production and sales by about another one-fifth.

There Are Tremendous Reserves in Industry

What remains to be done is to quickly find the keys that will let us open up dormant opportunities.

A paradoxical situation has emerged. Passenger car tires, for example, can only be purchased with great difficulty whereas more or less only 70 percent of the production capacity is used! More than a million tires for large and small Fiats, Zastavas, Skodas, Wartburgs and Trabants will not come off the vulcanizing press this year.

The paint and varnish industry will not receive adequate deliveries of titanium white, a valuable white pigment, whereas the producer plant in Police is working at half capacity due to the lack of foreign-exchange funds to purchase ilmenite, a raw material. Production is reduced and capacities are unused in the footwear, furniture, garments, wool, silk, textile, machine-building and electrical machinery industries.

Where is the key to industry? What should it be? Are there chances for getting our industry going? Is the lack of foreign-exchange funds the only issue?

The First Signs

The first signs signifying an opportunity for the use of some of our industrial installations by our CEMA partners have appeared. In February of this year, talks were held in Berlin between representatives of the central planning organs of the GDR and PRL concerning the leasing of capacity in Polish rubber industry enterprises. The Polish rubber industry will produce heavy conveyor belts and plastic footwear earmarked for our Western partner from the raw materials provided by the GRD. Costs of the service, such as labor and energy input, depreciation and so on will be covered by additional raw materials deliveries, such as granulated PCW [polyvinylchloride], polyurethanes and synthetic rubber. This will allow us to use domestic production capacity for the needs of our market. It has also been decided to continue the search for other opportunities for cooperation in using the spare capacities of our industry, which are of interest to both parties; for example, in the production of cord fabrics from yarns delivered from the GDR or of titanium white.

March Was a Fruitful Month

It was so because further talks were held by the central planning organs and ministries, this time in Bucharest and Moscow. The Romanian side expressed interest in the opportunity to process in Poland the so-called cathode units used in the electrolysis of alumina and also in the production of an important chemical semi-finished product, bisphenol, in exchange for deliveries of the initial raw materials, phenol and acetone. Production of titanium white was also discussed. Finally, it was agreed that pertinent foreign trade organizations of both sides would finalize these transactions as expeditiously as possible.

The March talks in Moscow centered primarily on using the idle capacity in the Polish consumer goods industry in the way of capacity leasing on the basis of raw materials provided [by the Soviet side]. Deliveries to Poland will include important raw materials such as cotton, anilane yarn, wool, hides and auxiliary raw materials. Polish industry will process these raw materials into garments, woolen fabrics, carpets, textiles from anilane and leather footwear. It should be stressed that Soviet representatives agreed to begin raw material deliveries to Poland on the basis of agreed-upon production specifications, even before the formal signing of the contract.

The talks in Moscow also touched on the chemical topics. The Soviet side expressed interest in opportunities to use Polish production capacities by leasing in fields such as production of conveyor belts, bicycle tires, inner tubes and pharmaceuticals.

On the basis of these examples, some general conclusions can be drawn. Primarily, the concern of the countries of our community with the difficulties of Poland and their resolute desire to help us out should be stressed.

The Resolute Desire to Help Us Out

We are not alone in this difficult period. The talks have started and have produced initial results. We should count on the continuation and broadening of the scope of these talks. The environment for further talks is good. Certainly, the results could be much greater, if the goods produced were concrete commodities for the market or export rather than just a service rendered.

However, this presents an opportunity for overcoming the impasse, increasing production, starting up again halted shops and plants. This gives work to work forces and opens prospects for many further initiatives. In this way, the first small key to opening up our industry has been found. Let us hope that other larger keys will follow.

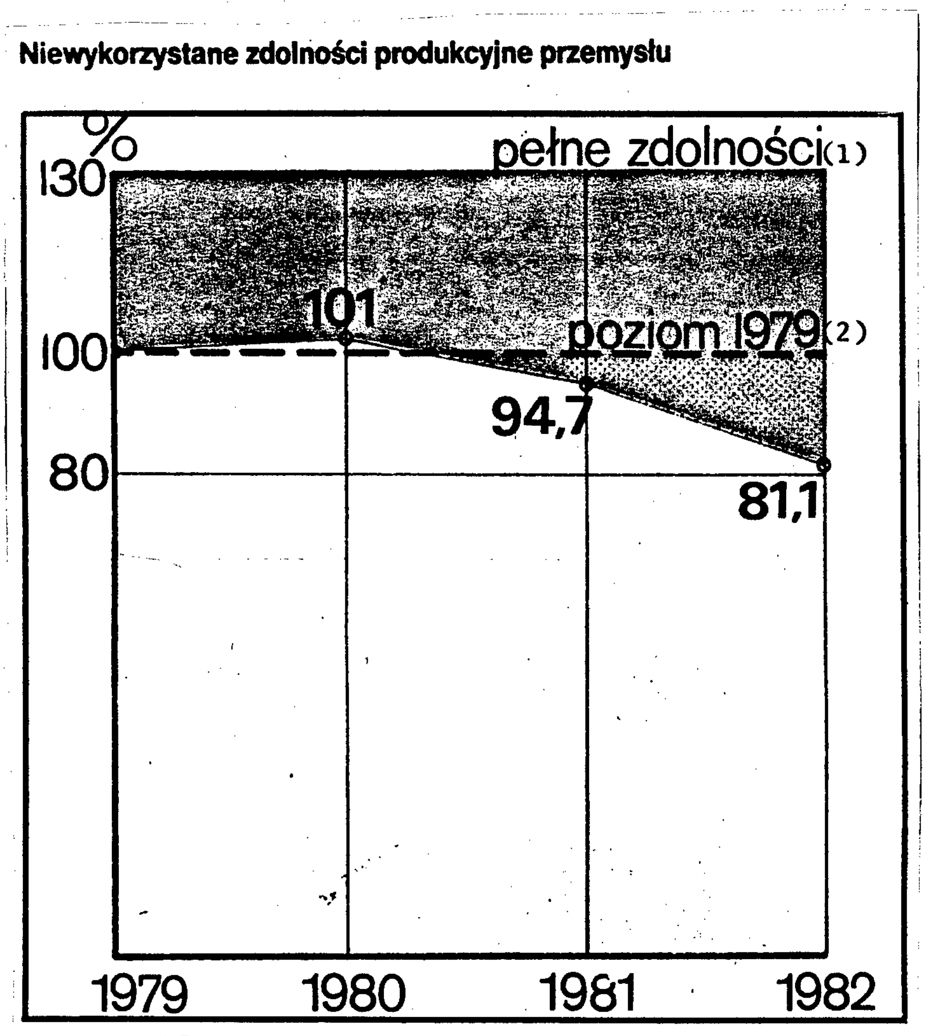

Figure 1. Unused Production Capacity in Industry

Key:
1. Full capacity
2. 1979 level

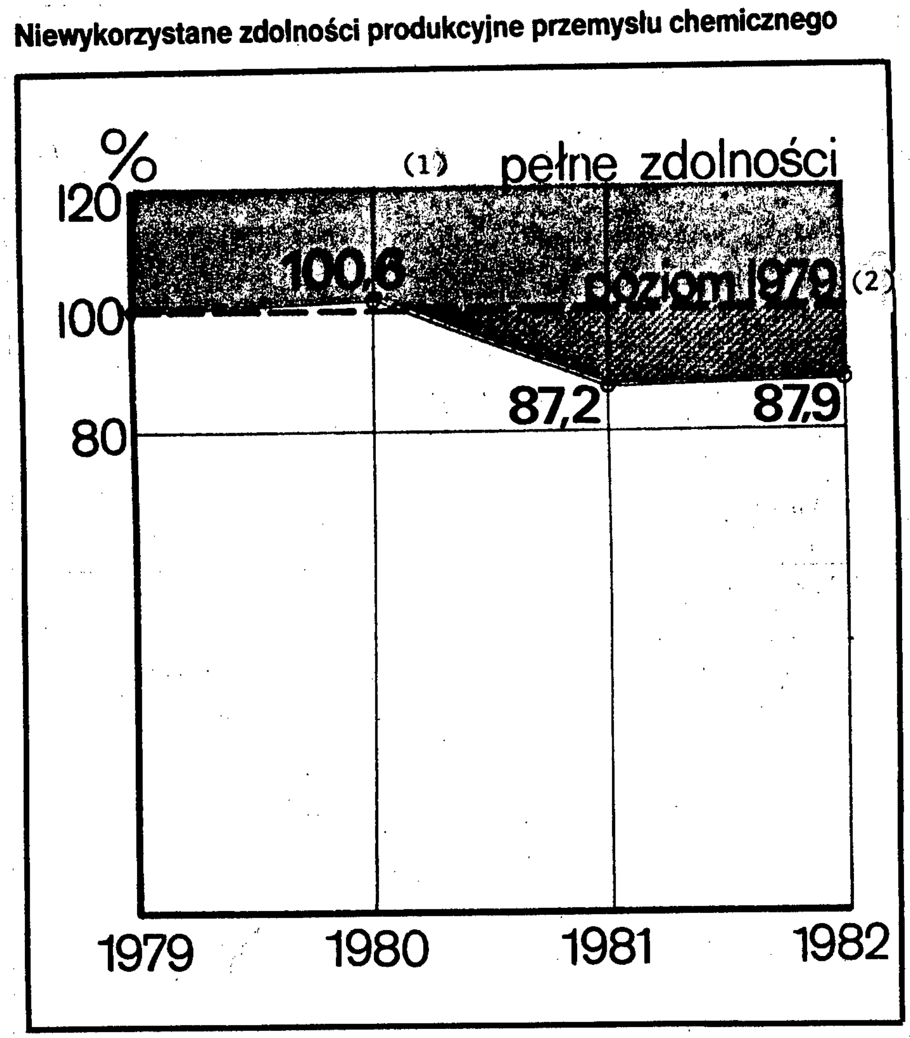

Figure 2. Unused Production Capacity in the Chemical Industry

Key:

1. Full capacity
2. 1979 level

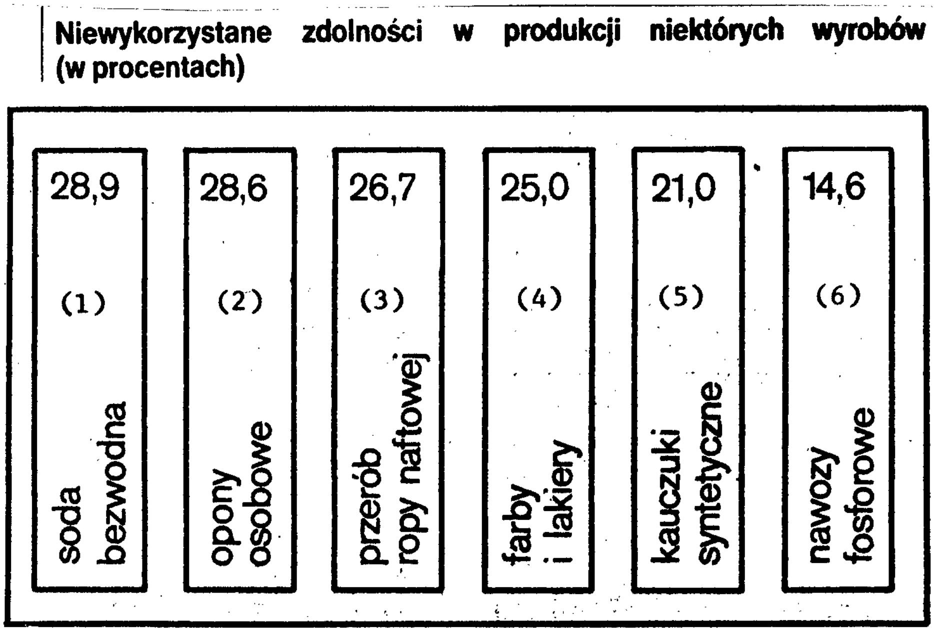

Figure 3. Unused Capacity in the Production of Selected Goods

Key:
1. Soda ash
2. Passenger car tires
3. Petroleum products
4. Paints and varnishes
5. Synthetic rubber
6. Phosphorous fertilizers

New Industrial Associations

Warsaw SLOWO POWSZECHNE in Polish 29 Apr 82 p 1

[Article: "Reform in the Chemical and Consumer Goods Industry: First Associations Are Being Formed"]

[Text] Prof Dr Edward Grzywa, minister of the chemical and consumer goods industry, awarded certified statutes to the first six associations [new] formed in this ministry during a meeting at the ministry. These associations account for one third of the total production of enterprises in the sector; the value of their production amounts to 540 billion zlotys.

The following associations [new] were formed: Association of Chemical Synthesis and Petroleum Refining Enterprises Petrochemia, based in Krakow and employing 70,000 persons; Association of the Woolen Goods Producers Merinex, based in Lodz and employing 40,000 persons; Association of the Silk and Decorative Fabrics Industry, based in Lodz and employing 40,000 persons; Association of the Cotton and Cotton-type Goods Producers, based in Lodz and employing 100,000 persons; Association of Chemical Apparatus, Machinery and Equipment Producers, based in Gliwice and employing 10,500 persons and Association of Spare Parts and Assemblies Producers, based in Lodz and employing 9,000 persons.

Jerzy Reszka, chairman of the Council of Association Petrochemia, presented guaranties to the enterprises which would make the associations [new] bear resemblance to the apparatus of associations [old]. According to him, this is assured by the employment allotment (in the case of his association--60 persons, whereas the old association employed 300), by the fact that associations [new] do not wield power, votes are not binding for the enterprises associated from the economic point of view. Also, an enterprise may easily either join the association or leave it. It has also been stressed that no preconceived model of an association existed, and that it would be worked out later on, in action.

9761
CSO: 2600/574

PROGRESS ON INVESTMENTS REVIEW REPORTED

Warsaw RZECZPOSPOLITA in Polish 15 Apr 82 p 4

[Interview with Stanislaw Wozniak, deputy director of the Investments and Construction Team, Planning Commission, Council of Ministers, by Malgorzata Szyszllo; date and location not given]

[Text] In August 1981, the chairman of the Council of Ministers appointed a team to review continuing investments and generally to set in order investment policy, in accordance with principles defined in the government program for overcoming the crisis and stabilizing the economy. An additional task for the team was to adapt the scope of investments to the current possibilities for implementing and financing them. The efforts of the team were divided into two stages.

We are speaking on this subject with Stanislaw Wozniak, deputy director of the Investments and Construction Team, Planning Commission, Council of Ministers.

[Question] What general assumptions have been adopted to evaluate investments?

[Answer] During the first stage, all investments of budgetary units and economic organizations with a cost-estimate value of more than 50 million zlotys implemented in 1981 were analyzed, as were tasks that had been curtailed prior to this. Investments that were to have been implemented, but were never begun were likewise examined. In particular, this affected investments for which imported machinery and equipment were purchased or contracted for. Housing construction investments were not included in the analysis. A separate analysis was done for tasks included in the central and territorial plan.

[Question] Are we to understand that the investment front has been further restricted?

[Answer] Yes, although not to the degree that could lead to the proper concentration of outlays for projects of priority significance from the viewpoint of meeting the most urgent socioeconomic needs.

I would like to emphasize that the decision to withhold an investment is a difficult decision to make, but given our economic situation, it is the lesser of two evils. If the national income level drops, a reduction in the level of investments must occur as a consequence.

[Question] How many investments have been curtailed, and for what cost-estimate value?

[Answer] Altogether, last year the implementation of approximately 1,500 tasks was halted, for a cost-estimate value of more than 600 billion zlotys. This included outlays of approximately 200 billion zlotys that had already been incurred. This means that another 400 billion zlotys would still have to be expended to complete these projects. The investment front was the most severely curtailed in the metallurgical, chemical and machine industries, in construction and in highway and rail transport.

[Question] Have decisions been made concerning the future fate of these projects?

[Answer] We are currently at work on this problem. A basic task of the commissions appointed to this end is to distribute investments into three groups. The first will encompass investments that will be curtailed temporarily. The second group will likewise be implemented, but the designation will be changed. The third group includes those investments that have been abandoned.

In order to keep to a minimum the margin of making the wrong decision, the investor and representatives of the bank and organs of the local administration have spoken out on the subject of each investment. Groups of independent experts from scientific institutions, as well as from the Chief Technical Organization [NOT] and the Polish Economic Society [PTE] were appointed to evaluate the more important projects. Investments were likewise analyzed by macroregional and subsector problem-solving groups.

[Question] In many instances, the investors in these curtailed projects are enterprises. A condition for their implementation is possession of one's own financial means or, if they are insufficient, the acquisition of credit. Therefore, are you not afraid that projects that are to be discontinued will be implemented?

[Answer] In accordance with the assumptions of economic reform, the policy of orders and bans from above has been abolished. It is possible to have an effect on the investments of enterprises only with economic instruments. In such a case, the bank plays a major role. It is hard to believe that most enterprises playing the role of investors have enough financial means to implement projects. Such cases are unique. Most plants must acquire bank credit, which is granted only when the bank has a full guarantee of repayment.

On the other hand, the attitude of local authorities to investments financed from their budget is a cause for concern. In accordance with the

provisions of Council of Ministers Resolution No 279, voivodship governors are obliged to make a review similar to the one conducted in the central plan. As far as I know, such a review has not been made.

[Question] I see no cause for concern, for if the local authorities have the necessary means available, they can continue construction.

[Answer] Yes, where there is a will, there is a way. But as a consequence--and there are many examples of this--construction, instead of lasting several years, goes on for over a dozen years, while the cost-estimate value increases several-fold. Thus, is it not better to implement selected, most-needed investments than to dissipate financial means and building potential?

Moreover, the financial outlays allocated this year to local authorities are not enough to implement even half the tasks.

[Question] The unwillingness to curtail investments may be the result of the desire to wait out the "lean years."

[Answer] I agree. It is difficult to abandon a construction project for which the indispensable designs, as well as machinery and equipment have been purchased. Nevertheless, the hard economic reality forces us to tighten our investment belt.

[Question] Apropos of machinery and equipment designated for discontinued investments: how will they be handled?

[Answer] This is a serious problem. At the end of 1981, machinery and equipment valued at more than 67 billion zlotys was being warehoused. For the most part, this is specialized equipment purchased for the given project. During the second stage of work, we will make a list of unnecessary machinery and equipment, and we will also make preliminary decisions concerning the manner of their utilization. Of course, this affects machinery designated for investments whose implementation has been abandoned completely.

[Question] After all work is completed, will you be able to say that the investments front has been put in order?

[Answer] It will certainly be somewhat on the road to recovery. However, treatment will still have to last quite a long time.

8536
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IMPACT OF REFORM ON MARITIME ECONOMY ANALYZED

Warsaw SLOWO POWSZECHNE in Polish 5 May 82 p 4

[Article by Stefan Sokulski: "Good Start with the Reform"]

[Text] One of the most important matters in maritime economy, along with developing a state maritime policy and settling fishing problems, is the economic reform. Although one could suppose that reform in a new office would be easy (the Office of Maritime Economy has been in existence only 10 months), one must not forget that this office is operating under prevailing national conditions and that it started working based on the old structure. It will not be easy to switch in a short period of time to new operational methods and to overcome all difficulties.

The main purpose of the maritime economy reform is to increase efficiency which should help the foreign exchange situation, expand supplies to the market and increase the national income. The plans are ambitious and their realization encounters considerable obstacles in every sector: shipping, fishing and harbors.

As Ryszard Bialas, the deputy minister, said, after a period of initial trials, the reform is being implemented under the conditions of 1982 as the planned actions continue. Current activities are guided by three regulations which deal with: the enterprises, the operation of enterprises in 1982 and the principles of economic activity under martial law. It goes without saying that the completely new conditions create additional difficulties which may impact the timeliness of reform implementation in maritime economy. Another obstacle to the reform is dealing with the world prices and the new dollar and ruble exchange rates.

Already the first changes brought about by the reform significantly increased costs of many enterprises resulting in their unprofitability. For instance, Polish Ocean Lines were bringing in sizable profits for years and now must be subsidized to the tune of several billion zlotys. Paradoxically, because of the new exchange rates, the lower volume of shipments notwithstanding, Polish Ocean Lines has a favorable balance of payments in terms of foreign exchange while being in the red in terms of zlotys. Polish Ocean Lines may or may not have excessive operating costs but certainly it is necessary to adjust the way one works to operational conditions under the reform.

Efforts to achieve the planned goals are based on the Sejm acts of last February. There is a problem, however, that these acts will take legal effect this July and this means that they will become operational in 1983. In addition to the acts themselves, the implementing regulations are also necessary to govern, among others, such important matters as financing, banking, etc.

Returning to the current efforts of the office to implement the economic reform in this area, it should be added that much has already been accomplished and that the original decisions are starting to produce definite results.

All the units under the rubric of "transportation" have been excused from paying a turnover tax. This accommodation permits the enterprises' developmental fund to increase as well as operational profits. Another matter successfully settled is the agreement reached to retain 100 percent operations amortization allowance for operations. Inter alia, this will make it easier to repay debts which are very large for some enterprises.

It is extremely important to obtain the right to set up maintenance funds for shipping enterprises. This will permit shipowners to set their own maintenance policies and to preserve the good name of our fleet in foreign markets.

Also important especially for the Polish Ocean Lines, Polish Maritime Shipping and Polish Baltic Shipping will be the opportunity to establish their own marketing funds. As long as one was carrying domestic cargo it was somehow possible to make up for freight shortages but now by carrying 50 percent foreign cargo proper marketing efforts acquire particular importance; moreover, they guarantee the continued existence and growth of shipping activities.

The matter of allocating foreign exchange has been settled and an agreement with the Ministry of Finance has been reached regarding subsidies for some enterprises such as Polish Ocean Lines during the transition period. Bankruptcy of a shipowner with such a meritorious past could not, after all, be permitted. The situation could have also been saved by revising the dollar exchange rate but this was outside the office's area of jurisdiction.

Fishing enterprises have obtained permission to cover their operating costs and to buy fuel from their income. Thus, there is a chance for systematic fishing expeditions and increased foreign exchange inflow. The last two matters that have been resolved are the authorization of the office chief to establish port rates and to exclude from the wage fund food and clothing costs.

In addition to these nine already resolved matters essential for the maritime economy, there is a sizable group of problems awaiting quick decisions. Among them there are such important matters as the amount of allocated foreign currencies and the principles of wage determination in maritime enterprises. The owners are impatiently waiting for the settlement of the

first matter and the other problem is just waiting for the final decision by the Ministry of Labor and Wages inasmuch as proposals were submitted a long time ago.

A difficult problem is to set fish prices. Currently, fish prices are regulated but the office proposal is to set them free already this year.

Also awaiting decision is the matter of financing investments and the principle of how to convert freight payments from socialist countries. It should be remembered that according to the old conversion factors the ruble was worth more than the dollar but currently the dollar is worth about 80 zlotys and the ruble 65 zlotys.

Among other matters related to the reform still awaiting settlement are the following: piece rates in the ports and fishing industry, participation in food and transportation in operational programs, import duties for imported ships and organizational changes. At the end of April, the port complexes Gdynia/Gdansk and Szczecin/Swiniooujscie ceased to exist. The Fishing Industry and the Maintenance Shipyard Associations continue to operate but on a totally different basis. They no longer supervise their branches but they manage them. Perhaps, they will also change their name to unions but names are not really important.

The Fishing Industry Association will take care primarily of securing fishing licences, coordination of foreign activities, setting prices and working together with the cooperative and private sectors. The Maintenance Shipyard Association will perform similar tasks.

It is difficult to forecast today what tangible benefits the economic reform will bring. It can be presumed, however, that it will lead to the elimination of disproportions among individual branches of the maritime economy, better cooperation with other subsectors of national economy and that it will mean complete independence of enterprises. In short, the office will take care of systemwide solutions but the implementation will be under full control of enterprises.

A promising start does not mean the final success. There will be many obstacles on the road to achievement of changes prescribed by the reform and the existing problems have to be solved concurrently. The reform may help to endure and to get to the straight but only the men of the sea can better use our potential, lower our costs, increase transshipments or relocate the fishing fleet on account of the Falkland conflict. And all the time the current tasks must be on our mind and they are not easy. This year we are planning to carry 32 million tons of cargo, handle 33.5 to 38.5 million tons in the ports and deliver over 170,000 tons of fish and fish products to the market. Additionally, we will continue to build the container terminal at Gdynia. If other matters related to the reform are settled favorably, it may be expected that the regression in the maritime economy will not last long.

8801
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STATUS OF PRODUCTION, IMPORT, EXPORT OF CEMENT REVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 16, 9 May 82 p 5

/Text/ This year, we are to manufacture approximately 16 million tons of cement. To produce this amount, we have secured a supply of coal and electric power. And yet, according to some opinions in the cement industry, most plants should suspend cement production. Reportedly about 70 percent of cement production is unprofitable under the new economic reform.

Investment Illusion

During 1971-1975, investment outlays for the development of cement industry were over 21.3 billion zlotys. For the sake of comparison, let us remember that, in the 1960's, millions rather than billions were spent on the development of the industry. The production was increasing very rapidly. In 1975, for the first time cement was taken off the list of imports, although between 1972 and 1974 we had purchased approximately 1.2 million tons annually, chiefly from capitalist countries.

But no one computed the cost of the increased production of cement. Under the pressure from the economy, the cement industry focused mainly on the quantity, ignoring completely the effectiveness of the production. Until the end of 1981, there was even a special system of bonuses, dependent on the number of manufactured tons, not on the production cost.

In the cement industry, it is extremely difficult to analyze effectiveness indicators. But there is no doubt that during the period between 1976 and 1981, the cost increased considerably, owing mainly to the higher cost of depreciation and the repayment of investment loans. At the same time, 1981 brought an approximately 40 percent decline of the productivity of permanent assets in comparison to 1976. Moreover, production technology has been very inefficient from the point of view of the production cost. More than one-half of cement plants use a very expensive, energy inefficient technology. Four cement plants use mazut as the energy source.

One can only deplore such an inefficient structure of cement production. Between 1972 and 1974, during the great energy crunch, large cement producers in West Germany, France, and Spain received huge state subsidies to develop energy-saving technologies. At the same time, we had a relative abundance of

coal and electric power. Therefore we now have what we have. The economic reform has made it clear that the crisis in the cement industry had been growing for years, and now the industry is on the verge of an economic crash.

Will It Go Under?

As in most other countries, an official price has been set for cement. Both production quotas and the price of cement are strictly controlled by the state. Cement is the basic construction material, and its arbitrary price would cause a chain reaction throughout the whole economy. Moreover, cement production is expensive in every respect and very harmful to the environment. Overproduction results in high economic losses especially because cement cannot be stored too long, while underproduction leads to expensive imports.

However, the official price does not cover the cost of production. Only a few cement plants--for example, Gorazdze, Ozarow, and Chelm--operate in the black at the current prices. According to some estimates, the official price is on the average about 5 percent lower than the production cost, depending on cement quality. Under these circumstances one questions the very principle of enterprises' self-financing.

But since there is the official price for cement, the state has taken over the responsibility of providing economic support for the plants. The official price does not include a number of cost factors, for example, the cement industry's loans from the state, amounting to approximately 18 billion zlotys. The industry has not had its own environmental protection program, not even during the previous period of economic directives. Annually, such a program costs 13 billion zlotys which come partially from the state budget, partially from voivodship subsidies.

Moreover, the production cost does not include a portion of transportation buildup, for example, adding new railroad sidetracks and loading and unloading equipment. About 12 billion zlotys must be earmarked for this purpose.

Due to limited supplies of coal and mazut, some cement plants have closed down, while in others production is much below their production capability. Therefore it has been decided that the closed plants should not increase the production cost by depreciation deductions. But even those closed plants require considerable investment spending in order to protect production assets and the entire technological infrastructure.

Branch Concept

This year, the cement industry will receive approximately 4 billion zlotys in state subsidies. This is understandable. For social reasons, the state has set up a rigid price for cement, and thus it has accepted the fact that most cement plants would operate in the red. Had the price been set on a level which would guarantee profits to every plant, then the price must have been between 10,000 and 12,000 zlotys per ton. This would have led to an inflationary increase in cost in many fields of the economy, including apartment

construction, and an increase of retail market prices. But a system of state subsidies is used with many products, and it is not out of line in the new economic system.

But the subsidies alone are not enough. There are attempts to provide additional sources of self-financing for the unprofitable production of cement. One of the sources is a system of compensatory prices, administered through the Wholesale Cement Bureau. In all cement plants, the official price is in force, but within the industry individual plants are held accountable using the factory price, since production costs vary from plant to plant. The cement plants, where the factory price is lower than the official price, operate in the black and can thus finance the other plants. The mechanism is quite simple, but it questions one of the basic principles of the economic reform, that is, the autonomy of enterprises. The cement plants themselves have protested against such a system. Those which are profitable are unwilling to finance the others, while the ones which operate in the red are not anxious to be at the mercy of the financially stronger partners. In April 1982, the cement industry has been exempted from the income tax which was equal to about 50 percent of the gross. There has been a recommendation to increase the official price, but it has not been decided yet by how much.

However, the cement industry is a bottomless barrel. In the former Association of Cement, Lime and Plaster Industry, I was told that all the present exemptions and subsidies are only half-measures, and they will not save the industry from bankruptcy.

There is a chance to get out of the crisis by implementing the so-called dry method of cement production and leaving out mazut from technological processes. As many as four large cement plants use mazut as the energy source. Thus the focus is mainly on energy efficiency. A modernization of two cement plants, Kujawy and Warta, would mean that in two years 375,000 tons of heating oil would be saved and coal consumption would decrease by 475,000 tons. But how to finance this modernization? It is estimated that it would require about 8 to 9 billion zlotys. The cement industry can lay out about 2 to 2.5 billion zlotys. The construction industry cannot help even if it wanted to, because this year's loans to develop the entire industry of construction materials are only about 3 billion zlotys.

Moreover, even the so-called dry method has its disadvantages. Professor Czeslaw Mejro, for example, has said that "the dry method of cement production is not a panacea for all ills of the cement industry. If one looks at direct energy consumption, the consumption of coal or mazut to produce one ton of cement using the dry method is actually 60 to 70 percent lower. But in the dry method, approximately one-half of the energy includes electric power, while in the wet method electric power constitutes only one-third of the used energy."

In the dry method, the coal is also processed, but in an electric power plant, not in a cement plant. Moreover, according to specialists, cement produced by the dry method includes a large percentage of so-called alkalies, while the production itself is very harmful to the environment.

Economic Criteria, After All

The industry has its reasons to support this line of development. First of all, the industry wants to secure its assets. It also fights the necessity to lay off employees. It is estimated that the overemployment in cement plants is now over 4,000 people. It is argued that the cement industry must stand by in a state of complete technological preparedness and full employment until the economy overcomes the current crisis, or when additional cement production is needed.

One can accept that. There is no doubt that the cement industry is one of the most difficult and complex industries to invest it. It is often compared to mining industries. Hence it is extremely difficult to have a ready-made formula how to get out of the economic crisis. But let us look realistically at an improvement program which would cost 8 to 9 billion zlotys. Overall, an improvement is among the most effective and profitable forms of investment, provided that it is supported by efficiency factors. But at present the cement industry pushes for further investments and loans, although it is up to its ears in debt. The annual service on the existing loans alone is over 720 million zlotys. The cement industry has recently completed the building of several new, large plants. Perhaps during the 1970's, the cement industry suffered from delusions. But the truth is that we have huge production assets capable of meeting the economy's demand for cement. For the most part, the assets have not depreciated yet. This was also an opinion of the Planning Committee which has rejected the industry's proposal to include improvements in the cement industry on the list of centrally subsidized projects. Also the Polish National Bank has refused to provide loans for such projects in the cement industry.

Perhaps, then, we should look for ways out of the crisis within the framework of what we have. To push for new investments would mean to fall into a trap of more loans, which would eventually lead to a bankruptcy. While the interests of the industry were being protected, this situation created a number of negative incentives, including a system of compensatory prices. One cannot accept such a situation. It is unprofitable industries, subsidized by the state, that should be the first to follow the criteria of effectiveness and strive for profitability mainly through lowering production costs. And the system of compensatory prices is geared toward something totally opposite. It is agreed that every cement plant will continue to produce a certain amount of cement, depending on its coal allocation. Thus all plants--profitable, barely profitable, and unprofitable--are treated the same. This leads directly to raising production costs in the entire industry. Thus in every plant the production potential is not fully utilized. Paradoxically, this situation has a negative effect on production costs mainly in profitable cement plants such as Garazdze or Ozarow. These are modern plants where depreciation costs are still high. Hence the constant portion of the price is also very high. When production potential is fully utilized, the constant cost, included in the production costs, goes down. When the potential is not fully utilized, then the constant price rises and thus it lowers profitability. In old cement plants the constant cost is low. Do we want to discourage plants from following sound economic

policies? Profitable cement plants are not very anxious to increase production. In fact, they are interested in working only at half their capacity. For example, the plants Gorazdze and Ozarow, built on a Danish license, are capable of producing 2.4 million tons of cement each, but neither has never reached that production capacity. Both plants still prefer to keep production reserves. Most of the basic machinery and equipment come from the second payments area. It is estimated that about 4 million dollars will be needed for necessary repairs. But since it is not likely to secure such an amount, the plants prefer to produce less than they are able to and thus lengthen the life of the machinery and equipment, rather than utilize their full production potential and run the risk of putting the machinery and equipment out of service, without resources for repairs. To be sure, export-producing plants are entitled to 25 percent of the earnings in hard currency, but this would not cover the expense of buying spare parts. About one million tons of cement will probably be exported. But it will be necessary to subsidize the export by 2.2 billion zlotys, because of the difference in production cost between our cement and cement manufactured by other producers.

Are there other options? Let us say that we choose an option of economically sound management rather than one that protects the interests of the industry. Only profitable cement plants would receive coal allocations, and they would maximize their production. The old plants, with high production costs, would be closed down. If these criteria were applied to 18 cement plants powered by coal, seven of them would have to be shut down, and yet cement production would increase by 700,000 to 720,000 tons. And it would be a profitable production, based on the official price and state subsidies.

Following this mode of reasoning, the strategy for the development of the industry looks totally different. Many factors, which lower profitability, would be removed. It may turn out that it is worthwhile to spend 4 million dollars to buy imported spare parts in order to keep the profitable plants going at full tilt. If a shortage of hard currency continues and the percentage of export earnings is not enough to meet all expenses, then it may be necessary to increase the cement export. The export is not profitable, to be sure. But cement is produced from our own raw materials using our own means of production. Moreover, the export would serve to increase production profitability. Hence we need to calculate very carefully what is more profitable: to spend 4 million dollars on spare parts, or to approve the industry's recommendation and invest 8 to 9 billion zlotys in the industry.

We might just as well suggest that the cement export be abandoned altogether. Maybe it would be more profitable to export coal which had been allocated for the export production of cement. I do not know if such a calculation has ever been done, but it is a must from the point of view of sound economic decision making. Under the present circumstances, such decisions are often dramatic.

If the economically sound management version is accepted, several thousand workers will face unemployment. But for them it may also be a chance to survive. When only profitable plants are in operation, enterprises'

self-financing will improve. If this is indeed the case, then a share of the profits may have to be used to compensate the workers of the closed plants. Perhaps this will be more profitable.

Finally, we must ask how much cement is and will be needed by the economy. After all, it is the demand that determines the future development of the industry. It is estimated that in two or three years, with the present structure of construction technology maintained, the demand will be for over 20 million tons. This creates a new problem. How can this demand be met? One can influence the supply, which would pose many problems. But just as well one can influence the demand. I do not suggest that cement allocations be limited. I merely support an idea of rational economy. In 1980, excessive consumption of cement in socialized construction projects, caused by deviations from construction standards, was over 600,000 tons. I do not intend to start a debate about the excessive cement consumption by our economy in general, which has been caused by several factors. I merely want to show two potential sources of additional amounts of cement. Sooner or later, reality will force us to utilize all those reserves.

9852
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PROSPECTS FOR MARITIME FLEET OUTLINED

Warsaw MORZE in Polish No 1, Mar 82 pp 3, 4

[Article by Jerzy Micinski: "What Is New Under the Polish Flag]

[Text] Polish shipping enterprises working in direct contact with the capitalist forms of economy by their very nature have weathered the 1981 crisis better than any other type of enterprise in our land. However, this is not all, being forced to seek cargo in unfamiliar ports (due to breakdown of our maritime business in foreign commerce) they not only managed to fill the holds, but instead of losses (in this fateful year) they turned a profit. Not just any kind of profit but the most precious kind--foreign exchange. This should serve as an object lesson to all those who have a tendency to underestimate the possibilities which are to be expected with a wise, systematic development of maritime economy and, above all, that of the merchant marine fleet.

The year 1981, unfortunately, brought yet another painful setback in this area, mainly because our shipbuilding industry was totally engaged in (not always beneficial) exports, at the expense of the needs of our domestic flag. Not a single ship constructed during that year in Polish shipyards entered our fleet, with the possible exception on one delivery to the Sino-Polish "Chipolbrok [Chinese-Polish Shipping Co. S. A.]."

Continuing our 20-year tradition, we are describing below last year's changes in the Polish Merchant Marine [PMH] holdings; however, at this time, we are not going to publish a full listing of ships. We shall include them [from now on] in a 2-year cycle; therefore, the next listing will appear next year. Readers of MORZE will find the previous lists in the January 1981-March 1981 editions.

Polish Oceanic Lines

Strictly speaking, Gdansk shippers did not gain a single vessel in 1981. The four "con-ro" units destined for the North American route, delivered from the French shipbuilding industry, are only chartered to the Polish Oceanic Lines (PLO); according to their registry, they belong to the French-Polish Maritime Co. Only after the credit (obtained to finance their construction) is amortised will the ships be formally transferred to the Gdansk shippers. Nevertheless, they are being counted as acquisitions of thw white-and-red flag, and at that they are very considerable acquisitions. We have never had--to date--such large

and complicated specialty cargo ships which task the highest skills of the crews and the shippers services.

The prototype, "Tadeusz Kosciuszko", ceremoniously hoisted the flag at the Gdansk Container Terminal on 26 June 1981, curing the celebration of "Sea Days", following the completion of its maiden commercial run to the United States, directly from its builders: Ciotat Shipyards in Marseille, France. This was described in detail in the September 1981 edition of MORZE. Also included were personal observations by our special reporter on board. Also, on page 27 of this edition, the reader will find technical data on the "Tadeusz Koschiuszko" and her three sister ships in an article entitled: "Under the Polish Flag." The second ship in the series, "Kazimierz Pulaski", hoisted the flag in Gdynia on 7 September 1981; the third, "Wladyslaw Sikorski", on 17 November. The last ship in this series, the "Stefan Starzynski", was handed over to the shippers during the last days of 1981; however, the ceremonial hoisting of the flag took place in Gdynia, on 22 February 1982, upon its return from its maiden run to the United States.

Inasmuch as the year 1981 was the "French" year (the same as in 1926, or exactly 55 years ago, when five colliers purchased in France initiated the continuous development of our merchant fleet), then the current year will be known as the "Spanish" year. We expect to realize our order for four "con-ro" ships which are being constructed for the PLO at the Puerto Real shipyards near Cadiz. The first two were launched at the end of October 1981. Those were the "Katowice II" and "Poznan." The remaining two, "the Gdansk" and "Wroclaw", are under construction. All four will augment our Australian route, where they will contribute to make this route much more attractive from the point of available services.

Unfortunately, nothing was built, or even started, at the domestic shipyards that was destined for the PLO. The Szczecin shipyards "threatened" to build the fourth ship of the interrupted series of rapid semicontainer vessels of the "Adam Mickiewicz" class (B-467; 17,200 tons, 25 knots); unfortunately, they were not able to carry it out. Our route shippers would probably be glad to place orders with our own shipyards for modern "ro-ro" class ships of intermediate and small tonnage; they are very badly needed for the modernization of our shipping routes of short and intermediate range--above all--to Africa and the Mediterranean.

Meanwhile, an agreement has been signed with the Paris Commune Shipyards in Gdynia for construction, during 1985-87, of a series of eight semicontainer ships of 10,000-14,000 tons, destined for the modernization of the South American route. On the other hand, the Gdansk shipyards have undertaken the construction of three container ships (capability to transport 1,513 TEU [class containers] on each ship) for the Far Eastern route. As of the beginning of 1982, both agreements have been confirmed. The year 1981 saw the PLO lose the MS "Stanislaw Dubois" (built in 1965). While en route to Vietnam, she collided with the Sudanese ship "Omdurman" somewhere between Antwerp and Hamburg. The collission caused flooding of number 2 and 3 holds, some water also penetrated hold number 1. Tugs were called to assist and towed the ship close to the Dutch shores; however, because of danger of explosion of a cargo of calcium carbide in one of the flooded holds, the "Dubois" was refused entry to all

ports in the North Sea Basin. This resulted in a decision to scuttle the ship by opening the sea cocks. She sank in a location designated by the Dutch authorities. The "Stanislaw Dubois" went to the bottom on 9 April 1981 (see reportage and photos in the May 1981 issue of MORZE.)

As a result of sales, six consecutive ships have left the PLO fleet and are now sailing under foreign flags. Perhaps there could have been more; however, because of a market slump caused by the crisis, there is a shortage of good buyers who would be willing to pay decent prices for conventional, used merchandise. The "Florian Ceynowa," one of a series of 10,000-ton ships (type B-54; build in 1957) was sold. She was the last of the seven vessels which were equipped with the troublesome Fiat engines. She was handed over to her new owners--Philippine President Lines, Inc.--in Manila, new name: "President Osmena." Sister ships of type B-55: "Olesnica" (built in 1959) and "Swidnica" (built in 1960) were sold, at the beginning of last year, to Greek shippers (Grecomar Shipping Agency Ltd) and changed names to "Michalis" and "Kostis." General cargo ship "Monte Cassino" (built in 1958) passed to the Panamanian flag. She was not typical of our fleet; she employed a Stork engine which was salvaged from the "Warszawa," a passenger ship which was sunk during the war (built in Holland for Poland, commandeered in 1940 by the Germans). The new owners are the Hobby Maritime Co., new name, "Solidarity." Also sold one after another were two small refrigerator ships, type B-513, which were built sometime ago to serve the English route of PLO. The prototype "Wolin" (built in 1960), the same ship which following her maiden voyage was named "the most beautiful ship of the Kiel Canal," passed under the Egyptian flag; her sister ship, the "Deblin", (built in 1961) is sailing under the Jordanian flag as the "Petra." An interesting detail here: both ships were immediately adapted, after the sale, to be manned by an 11-man crew; while sailing under the Polish flag and Polish maritime rules, the crew was 28.

In conclusion, we should add that a small general cargo ship, the "Chochlik" (type B-57; built in 1960) was handed over, at the onset of 1981, to Polish Baltic Lines (PZB). Consequently, the PLO has only four units remaining of this long series in which all ships have been rebuilt as container delivery ships. Following such reconstruction by the Szczecin Gryfia Shipyards, a small general cargo ship, the "Marynarz Migala" of B-548 series (in Finnish ice class), was returned to service in 1981; it is capable of transporting 42 of the 20-foot-type containers.

Polish Steamship Co [PZM]

Following a "fat" year (1980), the Szczecin shippers had a "lean" year--not even a single ship (as a result of the famous "contract of the century" 14 brand new ships from British shipyards entered the Szczecin service in 1980). It is true that the A. Warski shipyards had commenced the delayed construction of the fourth bulk cargo ship, type B-517 (33,500 tons); however, this ship will not be ready until next year. This series has been extended by three more ships.

Nevertheless, the Szczecin shippers have managed to "wangle out" another contract, with 100 percent credit, with Argentinian shipyards. The agreement

concluded with the Astilleros Alianza Shipyards provides for delivery, still within the current 5-year plan period, of two "panamax" type ships of 61,000 tons each and six ships at 26,000 tons each. Those ships are destined to replace the aging "Ziemia" class ships--bulk cargo ships of Italian construction from the 1966-1968 period.

Another contract concluded by the PZM was with the Bulgarian shipbuilding industry. The Dimitrov Shipyards in Varna have long supplied ships (since the beginning of the sixties) for the Szczecin shippers. Among them, built in 1973-77 period, was a series of five ships--the "General" series--bulk cargo ships (type B-591; 37,800 tons). This series is to be continued in a very modernized form. The next three "Generals" will shortly reinforce the PZM fleet. Planned names are: "General H. Dombrowski," "General Pulaski" and "General Berling." We are noting a reservation as to the second name because, not too long ago, the PLO included the "Kazimierz Pulaski" in their fleet. Will it be perhaps the "General Grot-Rowecki?"

Insofar as the bulk-cargo ships working for the PZM are not complaining about unemployment, there is a crisis in the Office of Tanker Utilization regarding that portion of it which is responsible for shipment of crude petroleum. For the domestic needs of our seaborne oil imports, the PZM has six large tankers of 137,000-145,000 tons capacity. However, since last year, we no longer purchase oil from the Arabian countries, due to a shortage of foreign exchange; therefore, we no longer need large tankers. We managed to find employment abroad for three ships of Japanese construction which are more economical to operate due to their diesel engines. The remaining three large tankers, equipped with the less economical steam turbines, are not so lucky. Two of them: the "Kasprowy Wierch" and "Giewont II" had to be placed "on the string" by the shippers. They are anchored off the coast of Greece, in Itea Bay, where the mild climate will permit preserving them. They are cared for by a skeleton crew of 10 men. Perhaps they can be sold if we can find a buyer. An extensive article on these ships appeared in the November issue of MORZE.

In 1981, Szczecin shippers did not register any tonnage losses. Following a thorough rejuvenation of the fleet over the past few years and in conjunction with elimination of all the steamships (which also happened to be the oldest items in the PZM inventory), transfers played a minimal role in 1981. This mainly affected general-purpose ships, series B-512, constructed in the mid-sixties which are today considered to be obsolete. Following the "Kolejarz," "Stoczniowiec," "Metalowiec" and "Wlokniarz, it was the turn for the "Energetyk" which was transferred (in July 1981) to the Polish-Korean Shipping Cooperative, Chopolship. It is anticipated that the next ship in line--the "Gornik"--will follow suit, thus causing this series, still sailing under the PZM flag, to shrink down to three ships.

Polish Baltic Lines (PZB)

The Kolobrzeg shippers are feeling the very painful reduction in ferry services which is being caused by a reduction of the flow of tourists going to Poland. They are also troubled for other reasons, for instance--the high operating costs of the Szczecin-constructed ferries ("Pomerania" and "Silesia") which, on

one hand, cannot attain their specification speed and, on the other, burns much more fuel than anticipated. Let us hope that the third ship in the (B-420) series, still under construction in Szczecin, will turn out better. She is to be named the "Masovia" and was launched in 1981 (although she was projected for 1978 completion). This construction lasted this long because the ship became an "unwanted child"--the shipyards and the shippers would be very glad to sell it abroad; however, so far, there is no good buyer in prospect.

The PZB keeps on reducing its inventory of ferries. Following the "Gryf" which was sold in 1980, the ferry "Skandynawia" (built in 1964) left the Polish flag. It was sold to Yick Fung Shipping and Enterprises Co Ltd in Hong Kong. Its new name is "Tien Hu," and it is sailing under the Panamanian flag. Next in line to be sold was the largest ferry of the PZB, the "Rogalin" (built in 1972); however, as of the end of 1981, the transaction did not take place.

As pertains to the second category of ships in the PZB--general cargo ships--including lumber transports, the only change noted in the "plus" column was the acceptance from the PLO of a B-57 type general cargo ship: the "Chochlik." This took place in early 1981.

In the "minus" columns we must enter the entire B-475 series: ships "Boginka," "Dziwozona" and "Nereida" (all built in 1964) which were sold, at a profit, to Greek shippers. The smallest PZB unit: the 450-ton "Flora" (built in 1967), was deleted from the inventory. This vessel is "on a string" and we would be very glad to sell it; however, there seems to be no one stupid enough to buy this marvel. Also earmarked for quick sale was the entire reminder of the ships in the "river" class, type B-51-II: the "Ina" (built in 1958), "Krutynia" (1959), "Ner" (1958) and "Sola" (1959). In this way, a total elimination of our outdated and unattractive tonnage of small tramps would become an accomplished fact. It is only a pity that this is not being accompanied by a replacement of the inventory through construction of modern and economic units of this category.

Chinese-Polish Shipping Lines S.A.

This enterprise, which has been described in more detail in the March 1981 issue of MORZE is celebrating its 13th anniversary under the sign of modernization of its inventory. Currently under construction are two four-ship series, one in Shanghai and the other in Gdansk. We are interested in the latter because it is destined to sail under the Polish flag. Those are universal type, general cargo ships, type B-348 of 16,000 tons capacity and a speed of 16.5 knots. They are capable of transporting 542 (TEU) containers each. The prototype "Parandowski" was launched on 30 May 1981, with the distinction of passing the 5-million-ton mark in the postwar production history of the Gdansk shipyards. Handing over to the shippers has been planned for the end of 1981; however, it actually happened on 12 February 1982 (date of hoisting the flag). The second ship of this series, the "Karlowicz" was launched on 11 November 1981; it will enter service this year. The remaining two ships (names still not determined) are projected for the end of 1983.

As for the losses, it was intended to sell the "Zamenhof" (built in 1959) during 1981. It was the oldest of the 10,000-ton series of Yugoslavian construction, but it was sold actually in February 1982, it passed over to the flag of the Chinese People's Republic, current name: "Ju Cheng."

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